FINANCIAL STATEMENTS

DIRECTORS' REPORT
for the financial year ended 31 December 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Significant events during the financial year and subsequent events to the balance sheet date are disclosed in Note 46 and Note 47 to the financial statements respectively.

IMMEDIATE AND ULTIMATE HOLDING COMPANY/ENTITY

The Directors regard BIMB Holdings Berhad, a company incorporated in Malaysia and Lembaga Tabung Haji ("LTH"), a *hajj* pilgrims' funds board established in Malaysia as the immediate holding company and ultimate holding entity respectively during the financial year and until the date of this report.

SUBSIDIARIES

The details of the Bank's subsidiaries are disclosed in Note 13 to the financial statements.

RESULTS

	Group RM'000	Bank RM'000
Profit before zakat and tax	728,213	726,836
Zakat and tax expense	(163,259)	(163,123)
Profit for the year	564,954	563,713

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT
for the financial year ended 31 December 2020

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Bank were as follows:

	RM'000
In respect of the financial year ended 31 December 2019 as reported in the Directors' Report of that year:	
Final dividend of approximately 6.05 sen per ordinary share paid on 29 June 2020	151,854
In respect of the financial year ended 31 December 2020:	
Interim dividend of approximately 5.55 sen per ordinary share paid on 18 September 2020	141,897
	293,751

The Directors recommend a final dividend of 5.37 sen per ordinary share totalling RM139,640,000 for the financial year ended 31 December 2020.

DIRECTORS OF THE BANK

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

Tan Sri Dr. Ismail Hj. Bakar (Chairman) (appointed on 1 August 2020)
Dato' Sri Khazali Ahmad
Zahari @ Mohd Zin Idris
Mohamed Ridza Mohamed Abdulla
Datuk Nik Mohd Hasyudeen Yusoff
Noraini Che Dan
Azizan Ahmad
Mohd Yuzaidi Mohd Yusoff
Mashitah Haji Osman (appointed on 1 October 2020)
Datuk Zamani Abdul Ghani (Chairman) (resigned on 1 March 2020)

DIRECTORS OF THE SUBSIDIARIES

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

Name of Company	Directors
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Maria Mat Said Mohamad Jamali Haron
BIMB Investment Management Berhad	Mohamed Ridza Mohamed Abdulla Najmuddin Mohd Lutfi Dato' Ghazali Awang Dr. Mohd Hatta Dagap Datin Maznah Mahbob Azizan Abd Aziz
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary: BIMB Offshore Company Management Services Sdn. Bhd.	Zahari @ Mohd Zin Idris Maria Mat Said
Farihan Corporation Sdn. Bhd.	Zaharin Mohd Ali Maria Mat Said

None of the Bank and subsidiaries' Directors holding office as at 31 December 2020 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the Note 32 to 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 firm in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Bank increased its issued and paid-up capital from 2,509,981,730 to 2,600,366,367 via issuance of 90,384,667 new ordinary shares at a consideration of RM3.25 each arising from the Dividend Reinvestment Plan. There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND TAKAFUL COSTS

Through the immediate holding company, BIMB Holdings Berhad has maintained a Directors' and Officers' Liability Takaful for the Directors and Officers of BIMB Holdings and its subsidiaries (excluding Syarikat Takaful Malaysia Keluarga Berhad and its subsidiaries) of up to an aggregate limit of RM50 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding the office. The Directors and Officers shall not be indemnified by such takaful for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of premium paid was RM231,372 (2019: RM219,430) with certain reimbursement made by the Directors and Officers.

DIRECTORS' REPORT
for the financial year ended 31 December 2020

OTHER STATUTORY INFORMATION

Impaired financing

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of impairment provisions for impaired financing, and have satisfied themselves that all known bad financing have been written-off and adequate impairment provisions made for impaired financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written-off for bad financing, or amount of impairment provisions for impaired financing in the financial statements of the Group and of the Bank, inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Bank to be 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 methods of valuation of assets or liabilities of the Group and of the Bank to be misleading or inappropriate.

Contingent and other liabilities

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

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

(b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

No contingent or other liability of any company in the Group 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 Group and of the Bank to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION (CONTINUED)

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 which would render any amount stated in the financial statements of the Group and of the Bank misleading.

Items of an unusual nature

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Group or of the Bank for the current financial year in which this report is made.

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 ("BNM")'s expectations on financial reporting have been complied with, including those as set out in the Financial Reporting for Islamic Banking Institutions and Circular on the Application of MFRS.

2021 BUSINESS PLAN AND OUTLOOK

Business Plan, Strategy and Future Outlook

COVID-19 is once again taking its toll on economic activities as the third wave prompts new restrictions, but the vaccine news is a game-changer for the outlook over the next two years. BNM opines that the Gross Domestic Product ("GDP") will rebound amidst low unemployment rate but with an improved Consumer Price Index ("CPI"). Such a positive outlook for 2021 will be backed by favourable global growth projection and a revival in domestic economic activities. In turn, this will bode well for financial market performance.

The pandemic should be seen as a window of opportunity to grow sustainably. In this trying time, our initiatives further reflect our commitment towards financial inclusivity which ensures development for all, as we seek to support economic recovery and safeguard the rakyat's livelihood. Therefore, as part of its business plan for 2021, the Bank is embarking on a 5-year roadmap to deliver the promise of technology, redefine growth and work in new ways to address the unprecedented challenges. By 2025, the Bank aspires to be a champion in offering Shariah Environmental, Social and Governance ("Shariah-ESG") total financial solution with leadership in digital banking and social finance. The plan mobilises six strategic objectives premised on the Bank's role as Value Based Intermediary ("VBI") namely Sustainable Prosperity, Value-based Culture, Community Empowerment, Customer Centricity, Real Economy and Digitalisation. The objectives will be supported key initiatives, directly focused efforts towards the end goal in 2025 such as to expand portfolio relating to real economy & green economy; implement integrated wealth management business model; accelerate digitalisation; promote social finance, and enforce cost management initiatives.

Against a strong backdrop of credit metrics with the recent reaffirmation of AA3/Stable/P1 by RAM Ratings recently, BHB is proceeding with its proposed group restructuring exercise that will unlock significant value for shareholders, as well as transferring its listing status to its subsidiary, Bank Islam. The exercise will see the Bank becoming the only full-fledged Islamic financial institution listed in Malaysia, having greater access to tap the capital markets for an exciting future expansion.

DIRECTORS' REPORT

for the financial year ended 31 December 2020

RATINGS ACCORDED BY EXTERNAL RATING AGENCY

During the financial year, the Bank's rating was re-affirmed as follows:

Rating agency	Date re-affirmed	Ratings
RAM Rating Services Berhad	4 January 2021	Long-term rating: AA3 Short-term rating: P1 Outlook: Stable

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have indicated their willingness to accept reappointment.

The auditors' remuneration is disclosed in Note 31 to the financial statements.

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

Tan Sri Dr. Ismail Hj. Bakar
Director

Noraini Che Dan
Director

Kuala Lumpur,
Date: 26 March 2021

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 189 to 314 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

Tan Sri Dr. Ismail Hj. Bakar
Director

Noraini Che Dan
Director

Kuala Lumpur,
Date: 26 March 2021

REPORT OF THE SHARIAH SUPERVISORY COUNCIL

بسم الله الرحمن الرحيم

الحمدلله رب العالمين، والصلاة والسلام على سيدنا محمد الذي أرسله الله رحمة للعالمين هاديا مهديا، وسراجا منيرا وعلى آله وصحبه أجمعين ومن تبعهم بإحسان إلى يوم الدين، وبعد،

السلام عليكم ورحمة الله وبركاته

'Salam Sejahtera'

In carrying out the roles and responsibilities of the Shariah Supervisory Council ("SSC") as prescribed in the Shariah Governance Policy Document ("SGPD") issued by Bank Negara Malaysia ("BNM") and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2020.

The Bank's Management is responsible to ensure that its conducts and businesses are in accordance with the Shariah rules and principles, and it is our responsibility to form an independent opinion based on our review on the conduct and businesses of the Bank and to produce this report.

We had eight (8) meetings during the financial year in which we reviewed, inter alia, products, transactions, services, processes and documents of the Bank.

In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in providing us with sufficient evidences to give reasonable assurance that the Bank has complied with the Shariah rules and principles.

At the management level, the Head of Shariah (cum Secretary of the SSC), who functionally reports to the SSC, oversees the conduct and effectiveness of Shariah Division's functions that carry out the roles and responsibilities related to Shariah secretariat, research and advisory. The Bank's Shariah governance is further substantiated by Shariah Risk Management, Shariah Review and Shariah Audit that resides in the Risk Management Division, Compliance Division, and Internal Audit Division, and reports directly to the Chief Risk Officer, Chief Compliance Officer, and Chief Internal Auditor respectively.

The following are the major developments that took place during the financial year which reside under our purview:

APPROVALS

To ensure smoothness and timely execution of our business operation, we empower the Head of Shariah to approve a non-substantial variation of Shariah related matters, and the approvals are reported to us periodically for notification. At the same time, the Head of Shariah or his representative is also sitting as a member in the following committees to advise the Bank on matters relating Shariah rules and principles:

i) Management Committee;
ii) Sadaqa House and Zakat Committee;
iii) Management Risk Control Committee;
iv) Operational Risk Control Committee;
v) Underwriting and Investment Committee;
vi) Product Development Oversight Steering Committee;
vii) Financing Committee A;
viii) Financing Committee B; and
ix) Tender Evaluation Committee for Vendor Management.

SHARIAH GOVERNANCE

We had approved in our meetings, initiatives to strengthen the Shariah governance of the Bank, which include the review of the Shariah Compliance Guideline, Shariah Compliance Policy, Operational Risk Management Guideline and Shariah Compliance Review Guideline that aims, among others, to set out the Shariah governance framework within the Bank as well as to ensure our business operations are in line with Shariah rules and principles.

SHARIAH RISK MANAGEMENT

We observed that the Bank has been continuously implementing measures in managing its Shariah non-compliance risk. The implementation of Risk Control Self-Assessment ("RCSA") aims to assess the significance of identified Shariah non-compliance risks and effectiveness of the controls in the respective functional areas.

Since the introduction of RCSA, a continuous process of identifying and assessing Shariah non-compliance risks at respective functional areas have been carried out by all Risk Controllers ("RCs"). The RCs are also mandated to drive appropriate controls to mitigate any occurrence of Shariah non-compliances in meeting the business objectives of their respective areas. The semi-annually RCSA result, which connotes Shariah non-compliance risk exposures of the Bank is also tabled in the Management Risk Control Committee and our meetings.

In addition to the RCSA, the Bank has established the Shariah Complaint Checklist to guide complaint handlers and product owners in identifying Shariah-related complaints lodged by customers. The checklist will be incorporated in the Bank's existing documents and processes for the use of complaint handlers and product owners.

SHARIAH REVIEW & SHARIAH AUDIT

The Shariah Review and Shariah Audit functions play a vital role in achieving the objective of ensuring Shariah compliance by evaluating and assessing activities in the Bank. Shariah reviews are performed by Shariah Compliance Department to validate business activities, new product features, and services offered complies with Shariah rules and principles according to regulatory requirements while Shariah Audit provides independent assurance in order to add value and improve the degree of Shariah compliance in relation to such activities.

Both Shariah Review and Shariah Audit plans for the financial year were reviewed by us for their implementation. Their reports were deliberated in our meetings to confirm that the Bank has complied with the rulings issued by the Shariah Advisory Council ("SAC") of Bank Negara Malaysia, the SAC of Securities Commission (for capital market related matters) as well as our decisions. During the year, the review and audit reports were presented to us covering the following entities/areas:

Shariah Audit	Shariah Review
1) Product Management Division	1) Assessment on the Bank's compliance with BNM Shariah Contract Policy Documents – Bai' al-Sarf, Wa'd and Rahn.
2) Corporate Banking Division	2) BNM Policy Document on Imposition of Fees and Charges on Financial Products and Services *(joint review with Compliance & Monitoring Testing)*
3) Commercial Banking Division	3) Bank Islam's Readiness to Comply with SAC of BNM Ruling on Non-Compunding of Profit
4) Assessment On The Bank's Compliance With The BNM Policy Documents - Rahn and Shariah Governance	4) Decisions of SSC FY2019
5) Credit Administration Department	5) Corporate Banking

REPORT OF THE SHARIAH SUPERVISORY COUNCIL

Shariah Audit	Shariah Review
6) Treasury & Markets Division	6) Commercial Banking
7) Corporate Support Division	7) Staff and Package Financing
8) Bank Islam Card Centre	8) Centralised Procurement
9) Ar Rahnu	9) Commodity Trading Provider and Commodity Supplier
10) Wealth Management Operations	10) Sukuk - Urusharta Jemaah
11) Commodity Trading Provider and Commodity Supplier	11) Marketing of Third party product (Takaful): i) Takaful myClick Medicare ii) Takaful myClick Travel PA iii) Takaful myClick Term iv) mySalam PA Plan (Telemarketing) v) Takaful myMortgage
12) Bank Islam Labuan Offshore Branch (BILOB)^	12) Zakat Simpanan & Pelaburan Service
13) 44 Bank Islam Branches and 2 Ar Rahnu Outlet^	

^ *Only Shariah related findings were escalated for deliberation and decision.*

SHARIAH TRAINING & AWARENESS

During the year, ten (10) Shariah training and briefing sessions were held covering 894 among the Bank's employees nationwide inclusive of virtual onboarding programmes for new staff. The coverage of the sessions includes Shariah governance updates, Shariah risk management and fundamentals of Shariah in business operations. This includes three (3) Shariah Town Hall sessions for all Risk Controllers ("RC") where the sessions provided updates to the RCs on new Shariah requirements issued by the regulators, our latest decisions and lessons learnt from new Shariah non–compliance events in the Bank.

In line with SGPD, the Bank has been continuously implementing Shariah e-learning programme by enhancing the existing e-learning courseware on Philosophy and Fundamentals of Shariah and developing a new e-learning courseware relating to the applied Shariah contracts to all staff of the Bank.

The Bank has also continued to elevate the Shariah and Islamic banking knowledge of its staff and SSC members by engaging Islamic Banking & Finance Institute Malaysia ("IBFIM") for the Certified Professional Shariah Auditor ("CPSA") programme and Association of Shariah Advisors in Islamic Finance ("ASAS") for in-house certification programme of Certified Shariah Advisors ("CSA") and Certified Shariah Practitioner ("CSP"). This year, 15 candidates graduated from CSA and CSP including three (3) SSC members.

Shariah officers of the Bank were encouraged to enroll for certification programmes, and during the financial year under review, the Head of Shariah has been awarded as a Certified Shariah Advisor and Auditor ("CSAA") by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI").

SHARIAH NON-COMPLIANT EVENTS & INCOME

Throughout 2020, we confirmed one (1) incidence of Shariah non-compliance event i.e.Foreign Outward Telegraphic Transfer ("FOTT") service provided for a potential Shariah non-compliant purpose.

We were also informed on the causes of the incidence and noted that the Bank has taken corrective as well as preventive measures in order to avoid the same incidence from occurring in the future. We also confirmed that the SNC event together with the rectification plan were presented to the Board of Directors and us and reported to BNM in accordance with the reporting requirement prescribed by the regulator.

Within the financial year, the Bank has collected Shariah non-compliant income amounting to RM59,960.46. A total of RM52,332.96 from the collected amount was purified and disposed to charitable causes upon our approval as further described in Note 23 (Sources and Uses of Charity Fund).

BUSINESS ZAKAT

In the financial year, the Bank has fulfilled its obligation to pay *zakat* on its business to state *zakat* authorities by adopting the growth capital computation method, in compliance with the Manual Pengurusan Zakat Perbankan issued by Jabatan Wakaf, Zakat dan Haji ("JAWHAR"). The Bank paid the *zakat* on the Bank's portion i.e. shareholders' fund as well as other funds received by the Bank exclusive of depositors' fund and Investment Account holders' fund.

Several *zakat* authorities had mandated distribution of a portion of the *zakat* paid by the Bank on the based on their agent *(wakil)* for distribution to eligible beneficiaries *(asnaf)* as guided by the Business Zakat Guideline that was approved by us.

SAFEGUARDING THE INVESTMENT ACCOUNT HOLDERS ("IAH") INTEREST

In ensuring that the interest of IAH is protected, we confirmed that the profit allocation for the IAH is in accordance with Shariah rules and principles where the profit computation formula has been duly presented and approved by us. The performance of the Investment Account has also been disclosed and reported via issuance of Fund Performance Report ("FPR"), which was already made available on the Bank's website.

SADAQA HOUSE INITIATIVE

In protecting the interest of Sadaqa House donors, we confirmed that the fund management and distribution of Sadaqa House are in accordance with Shariah rules and principles. We have approved the Sadaqa House Management Guideline that governs the conduct and management of Sadaqa House fund to ensure Sadaqa House operates in line with Shariah rules and principles. The Sadaqa House and Zakat Committee that is chaired by the General Manager, Strategic Relations has been mandated to oversee the conduct of the Sadaqa House initiative to be in line with Shariah rules and principles in accordance with the Sadaqa House Management Guideline approved by us.

We had also reviewed the financial statement of the Bank and confirmed that the financial statement complies with the Shariah rules and principles.

REPORT OF THE SHARIAH SUPERVISORY COUNCIL

SADAQA HOUSE INITIATIVE (CONTINUED)

Based on the above, in our opinion:

1) The contracts, transactions and dealings entered into by the Bank, excluding the one (1) Shariah non-compliance incidence mentioned above, during the financial year ended 31 December 2020 that were reviewed are in compliance with the Shariah rules and principles;

2) The allocation of profit and charging of losses relating to Investment Account conformed to the basis that has been approved by us;

3) The computation, payment and distribution of business zakat are in compliance with the Shariah rules and principles;

4) All earnings that have been realised from sources or by means prohibited by the Shariah rules and principles were disposed to charitable causes and refunded to the deserving counterparties.

On that note, we, members of Shariah Supervisory Council of Bank Islam Malaysia Berhad, do hereby confirm that, in our level best, the operations of the Bank for the year ended 31 December 2020 have been conducted in conformity with the Shariah rules and principles.

We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, verse:81)

Allah knows best.

Professor Dato' Dr. Ahmad Hidayat Buang

Ustaz Dr. Ahmad Shahbari@Sobri Salamon

Assistant Professor Dr. Uzaimah Ibrahim

Associate Professor Dr. Yasmin Hanani Mohd Safian

Professor Dr. Asmadi Mohamed Naim

Dr. Shamsiah Mohamad

Kuala Lumpur,
Date: 26 March 2021

STATUTORY DECLARATION

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

I, **Azizan Abd Aziz**, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 189 to 314 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 Azizan Abd Aziz, MIA CA (32474) in Kuala Lumpur on 26 March 2021.

Azizan Abd Aziz

Before me,

PESURUHJAYA SUMPAH
W390
REJINDER SINGH
A/L GURDEV SINGH
BC/R/118
01/01/2019-12/7/2021
MALAYSIA

568-8-39, Tkt 8
Kompleks Mutiara
Batu 3½ Jalan Ipoh
51200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the member of Bank Islam Malaysia Berhad
(Incorporated in Malaysia) (Company No. 198301002944 (98127-X))

OUR OPINION

In our opinion, the financial statements of Bank Islam Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

WHAT WE HAVE AUDITED

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Bank, and the statements of profit or loss, statements of other comprehensive income, consolidated statement of changes in equity, statement of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 189 to 314.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report, Report of the Shariah Supervisory Council and Annual Report, which we obtained prior to the date of this auditors' report, and Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

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

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

INDEPENDENT AUDITORS' REPORT

to the member of Bank Islam Malaysia Berhad (Incorporated in Malaysia) (Company No. 198301002944 (98127-X))

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

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

Pricewaterhousecoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Ong Ching Chuan
02907/11/2021 J
Chartered Accountant

Kuala Lumpur,
Date: 26 March 2021

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
ASSETS					
Cash and short-term funds	3	**5,216,376**	2,814,333	**5,216,280**	2,813,456
Deposits and placements with banks and other financial institutions	4	**361**	658,053	**–**	658,053
Financial assets at fair value through profit or loss	5	**1,181,200**	663,068	**1,175,440**	657,443
Derivative financial assets	6	**61,665**	33,326	**61,665**	33,326
Financial assets at fair value through other comprehensive income	7	**12,557,991**	12,146,640	**12,558,729**	12,147,378
Financing, advances and others	8	**54,670,635**	49,472,522	**54,670,635**	49,472,522
Other financial assets at amortised cost	9	**207,349**	145,217	**196,588**	140,562
Statutory deposits with Bank Negara Malaysia	10	**192,425**	1,170,136	**192,425**	1,170,136
Current tax assets		**106,773**	32,003	**106,773**	32,002
Deferred tax assets	11	**1,511**	33,774	**–**	32,268
Right-of-use assets	12	**209,736**	229,135	**209,736**	229,135
Investments in subsidiaries	13	**–**	–	**15,525**	15,525
Property and equipment	14	**231,000**	195,595	**230,516**	195,100
Total assets		**74,637,022**	67,593,802	**74,634,312**	67,596,906
LIABILITIES AND EQUITY					
Deposits from customers	15	**51,077,262**	47,408,738	**51,095,451**	47,476,872
Investment accounts of customers	16	**12,368,528**	10,240,373	**12,368,897**	10,240,373
Derivative financial liabilities	6	**105,872**	36,746	**105,872**	36,746
Bills and acceptance payable		**29,621**	49,084	**29,621**	49,084
Recourse obligations on financing sold to Cagamas	17	**1,501,187**	1,501,187	**1,501,187**	1,501,187
Subordinated Sukuk Murabahah	18	**1,713,164**	1,308,694	**1,713,164**	1,308,694
Other liabilities	19	**1,136,863**	991,540	**1,121,885**	931,685
Lease liabilities	12	**312,429**	325,559	**312,429**	325,559
Zakat and taxation	20	**31,952**	17,428	**31,776**	17,142
Deferred tax liabilities	11	**74,445**	–	**74,445**	–
Total liabilities		**68,351,323**	61,879,349	**68,354,727**	61,887,342
EQUITY					
Share capital	21	**3,306,118**	3,012,368	**3,306,118**	3,012,368
Reserves	22	**2,979,581**	2,702,085	**2,973,467**	2,697,196
Total equity		**6,285,699**	5,714,453	**6,279,585**	5,709,564
Total liabilities and equity		**74,637,022**	67,593,802	**74,634,312**	67,596,906
Restricted investment accounts managed by the Bank	16	**11,915**	35,062	**11,915**	35,062
Total Islamic banking assets owned and managed by the Bank		**74,648,937**	67,628,864	**74,646,227**	67,631,968
Commitments and contingencies	42	**20,189,496**	17,414,181	**20,189,496**	17,414,181

The notes on pages 199 to 314 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

for the financial year ended 31 December 2020

	Note	Group 2020 RM'000	Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Income derived from investment of depositors' funds	24	**2,504,013**	2,757,704	**2,504,013**	2,757,704
Income derived from investment account funds	25	**513,934**	395,664	**513,934**	395,664
Income derived from investment of shareholders' funds	26	**460,059**	490,882	**436,313**	462,227
Net allowance for impairment on financing and advances, net of recoveries	27	**(208,671)**	(83,688)	**(208,671)**	(83,688)
Loss on modification of financial assets		**(136,380)**	–	**(136,380)**	–
Net allowance for impairment on other financial assets		**2,757**	(3,760)	**2,757**	(3,760)
Direct expenses		**(13,660)**	(16,444)	**(13,660)**	(16,444)
Total distributable income		**3,122,052**	3,540,358	**3,098,306**	3,511,703
Wakalah fees from restricted investment accounts	16	**576**	446	**576**	446
Income attributable to depositors	28	**(1,006,479)**	(1,376,324)	**(1,006,700)**	(1,376,599)
Income attributable to investment account holders	29	**(222,026)**	(175,621)	**(222,026)**	(175,621)
Total net income		**1,894,123**	1,988,859	**1,870,156**	1,959,929
Personnel expenses	30	**(663,367)**	(662,393)	**(649,361)**	(648,838)
Other overhead expenses	31	**(411,085)**	(395,006)	**(402,502)**	(381,653)
		819,671	931,460	**818,293**	929,438
Finance cost	34	**(91,458)**	(87,980)	**(91,457)**	(87,980)
Profit before zakat and tax		**728,213**	843,480	**726,836**	841,458
Zakat		**(11,770)**	(11,000)	**(11,815)**	(10,796)
Tax expense	35	**(151,489)**	(204,871)	**(151,308)**	(204,659)
Profit for the year		**564,954**	627,609	**563,713**	626,003
Earnings per share (sen)	36	**22.19**	25.00		

The notes on pages 199 to 314 are an integral part of these financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2020

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit for the year	**564,954**	627,609	**563,713**	626,003
Other comprehensive income, net of tax:				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences in respect of foreign operations	**7,198**	4,129	**7,214**	4,086
Movement in fair value reserve (debt securities):				
Net change in fair value	**248,060**	324,742	**248,060**	324,794
Changes in expected credit loss	**(138)**	37	**(138)**	37
Net amount transferred to profit or loss	**(271,311)**	(96,607)	**(271,311)**	(96,607)
Income tax effect relating to components of other comprehensive income	**5,492**	(53,040)	**5,492**	(53,040)
	(10,699)	179,261	**(10,683)**	179,270
Items that will not be reclassified to profit or loss				
Movement in fair value reserve (equity instrument):				
Net change in fair value	**16,992**	11,441	**16,992**	11,389
Other comprehensive income for the year, net of tax	**6,293**	190,702	**6,309**	190,659
Total comprehensive income for the year	**571,247**	818,311	**570,022**	816,662

The notes on pages 199 to 314 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

		Attributable to equity holders of the Bank				
		Non-distributable			Distributable	
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2020		**3,012,368**	**–**	**107,265**	**2,594,820**	**5,714,453**
Profit for the year		–	–	–	564,954	564,954
Currency translation difference in respect of foreign operations		–	–	7,198	–	7,198
Fair value reserve (debt instruments):						
Net change in fair value		–	–	248,060	–	248,060
Changes in expected credit losses		–	–	(138)	–	(138)
Net amount transferred to profit or loss		–	–	(271,311)	–	(271,311)
Income tax effect relating to components of other comprehensive income		–	–	5,492	–	5,492
Fair value reserve (equity instruments):						
Net change in fair value		–	–	16,992	–	16,992
Total comprehensive income for the year		–	–	6,293	564,954	571,247
Transfer from regulatory reserve	22	–	–	(25,000)	25,000	–
Dividends paid on ordinary shares	37	–	–	–	(293,751)	(293,751)
Issue of shares pursuant to Dividend Reinvestment Plan		293,750	–	–	–	293,750
At 31 December 2020		**3,306,118**	**–**	**88,558**	**2,891,023**	**6,285,699**
				Note 22		

The notes on pages 199 to 314 are an integral part of these financial statements.

Group	Note	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total equity RM'000
		← Attributable to equity holders of the Bank →				
		← Non-distributable →			Distributable	
At 1 January 2019		3,012,368	–	(98,437)	2,362,476	5,276,407
Effect upon adoption of MFRS 16 (net of tax)		–	–	–	(67,316)	(67,316)
Adjusted total equity at 1 January 2019		3,012,368	–	(98,437)	2,295,160	5,209,091
Profit for the year		–	–	–	627,609	627,609
Currency translation difference in respect of foreign operations		–	–	4,129	–	4,129
Fair value reserve (debt instruments):						
Net change in fair value		–	–	324,742	–	324,742
Changes in expected credit losses		–	–	37	–	37
Net amount transferred to profit or loss		–	–	(96,607)	–	(96,607)
Income tax effect relating to components of other comprehensive income		–	–	(53,040)	–	(53,040)
Fair value reserve (equity instruments):						
Net change in fair value		–	–	11,441	–	11,441
Total comprehensive income for the year		–	–	190,702	627,609	818,311
Transfer to regulatory reserve	22	–	–	15,000	(15,000)	–
Dividends paid on ordinary shares	37	–	–	–	(312,949)	(312,949)
At 31 December 2019		3,012,368	–	107,265	2,594,820	5,714,453
				Note 22		

The notes on pages 199 to 314 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2020

Bank	Note	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total equity RM'000
		Attributable to equity holders of the Bank				
		Non-distributable			Distributable	
At 1 January 2020		**3,012,368**	**-**	**107,398**	**2,589,798**	**5,709,564**
Profit for the year		-	-	-	563,713	563,713
Currency translation difference in respect of foreign operations		-	-	7,214	-	7,214
Fair value reserve (debt instruments):						
Net change in fair value		-	-	248,060	-	248,060
Changes in expected credit losses		-	-	(138)	-	(138)
Net amount transferred to profit or loss		-	-	(271,311)	-	(271,311)
Income tax effect relating to components of other comprehensive income		-	-	5,492	-	5,492
Fair value reserve (equity instruments):						
Net change in fair value		-	-	16,992	-	16,992
Total comprehensive income for the year		-	-	6,309	563,713	570,022
Transfer from regulatory reserve	22	-	-	(25,000)	25,000	-
Dividends paid on ordinary shares	37	-	-	-	(293,751)	(293,751)
Issue of shares pursuant to Dividend Reinvestment Plan		293,750	-	-	-	293,750
At 31 December 2020		**3,306,118**	**-**	**88,707**	**2,884,760**	**6,279,585**
				Note 22		

The notes on pages 199 to 314 are an integral part of these financial statements.

Bank	Note	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Total equity RM'000
		← Attributable to equity holders of the Bank →				
		← Non-distributable →			Distributable	
At 1 January 2019		3,012,368	–	(98,261)	2,359,060	5,273,167
Effect upon adoption of MFRS 16 (net of tax)		–	–	–	(67,316)	(67,316)
Adjusted total equity at 1 January 2019		3,012,368	–	(98,261)	2,291,744	5,205,851
Profit for the year		–	–	–	626,003	626,003
Currency translation difference in respect of foreign operations		–	–	4,086	–	4,086
Fair value reserve (debt instruments):						
Net change in fair value		–	–	324,794	–	324,794
Changes in expected credit losses		–	–	37	–	37
Net amount transferred to profit or loss		–	–	(96,607)	–	(96,607)
Income tax effect relating to components of other comprehensive income		–	–	(53,040)	–	(53,040)
Fair value reserve (equity instruments):						
Net change in fair value		–	–	11,389	–	11,389
Total comprehensive income for the year		–	–	190,659	626,003	816,662
Transfer to regulatory reserve	22	–	–	15,000	(15,000)	–
Dividends paid on ordinary shares	37	–	–	–	(312,949)	(312,949)
At 31 December 2019		3,012,368	–	107,398	2,589,798	5,709,564
				Note 22		

The notes on pages 199 to 314 are an integral part of these financial statements.

STATEMENTS OF CASH FLOW

for the financial year ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
Profit before zakat and tax	**728,213**	843,480	**726,836**	841,458
Adjustments for:				
Depreciation of property and equipment	**56,546**	52,049	**56,341**	51,823
Depreciation of right-of-use assets	**18,348**	15,141	**18,317**	15,141
Net gain on disposal of property and equipment	**(3)**	(421)	**(3)**	(421)
Property and equipment written-off	**925**	82	**925**	82
Allowance for impairment on financing, advances and others	**288,187**	190,829	**288,187**	190,829
Losses on modification of financial assets	**136,380**	–	**136,380**	–
Net allowance for impairment on other financial assets	**(2,757)**	3,760	**(2,757)**	3,760
Net gain on sale of financial assets at FVTPL	**(528)**	(26,178)	**(528)**	(26,178)
Net gain on sale of financial assets at FVOCI	**(271,311)**	(96,607)	**(271,311)**	(96,607)
Fair value loss/(gain) on FVTPL	**6,717**	(11,164)	**6,713**	(11,158)
Dividends from subsidiary	**–**	–	**(500)**	–
Dividends from financial assets at FVTPL	**(13,860)**	(8,913)	**(13,722)**	(8,738)
Dividends from financial assets at FVOCI	**(503)**	(545)	**(503)**	(545)
Income from rebate on investment in unit trust	**(979)**	–	**(979)**	–
Net derivative (gain)/loss	**(31)**	36	**(31)**	36
Finance cost on Subordinated Sukuk Murabahah	**73,622**	69,940	**73,622**	69,940
Profit expense on lease	**17,836**	18,040	**17,835**	18,040
Operating profit before changes in assets and liabilities	**1,036,802**	1,049,529	**1,034,822**	1,047,462
Changes in assets and liabilities:				
Financing, advances and others	**(5,622,680)**	(3,982,671)	**(5,622,680)**	(3,982,671)
Statutory deposits with Bank Negara Malaysia	**977,711**	432,148	**977,711**	432,148
Bills and other receivables	**(87,545)**	(19,150)	**(81,439)**	(17,004)
Deposits from customers	**3,668,524**	(2,486,494)	**3,618,579**	(2,432,327)
Investment accounts of customers	**2,128,155**	5,063,554	**2,128,524**	5,063,554
Bills and acceptance payable	**(19,463)**	7,970	**(19,463)**	7,970
Other liabilities	**214,455**	302,592	**259,327**	253,157
Cash generated from operations	**2,295,959**	367,478	**2,295,381**	372,289
Zakat paid	**(10,862)**	(13,589)	**(10,795)**	(13,525)
Tax paid	**(100,444)**	(238,032)	**(100,261)**	(237,864)
Tax refund	**–**	1,788	**–**	1,734
Net cash generated from operating activities	**2,184,653**	117,645	**2,184,325**	122,634

The notes on pages 199 to 314 are an integral part of these financial statements.

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Cash flows from investing activities				
Purchase of property and equipment	**(92,879)**	(58,912)	**(92,684)**	(58,854)
Proceeds from disposal of property and equipment	**5**	423	**5**	423
Dividends from subsidiary	**–**	–	**500**	–
Dividends from financial assets at FVTPL	**13,860**	8,913	**13,722**	8,738
Dividends from financial assets at FVOCI	**503**	545	**503**	545
Income from rebate on investment in unit trust	**979**	–	**979**	–
Net proceeds from disposal/purchase of securities	**(670,896)**	(716,851)	**(670,757)**	(716,606)
Net cash used in investing activities	**(748,428)**	(765,882)	**(747,732)**	(765,754)
Cash flows from financing activities				
Issuance of Subordinated Sukuk Murabahah	**1,100,000**	–	**1,100,000**	–
Dividend paid on ordinary shares	**(293,751)**	(312,949)	**(293,751)**	(312,949)
Proceeds from issuance of ordinary shares pursuant to Dividend Reinvestment Plan	**293,750**	–	**293,750**	–
Redemption of Subordinated Sukuk Murabahah	**(700,000)**	–	**(700,000)**	–
Finance cost paid on Subordinated Sukuk Murabahah	**(69,152)**	(69,880)	**(69,152)**	(69,880)
Finance lease paid on right-of-use assets	**(29,920)**	(25,331)	**(29,883)**	(25,331)
Net cash generated from/(used in) financing activities*	**300,927**	(408,160)	**300,964**	(408,160)
Net increase/(decrease) in cash and cash equivalents	**1,737,152**	(1,056,397)	**1,737,557**	(1,051,280)
Cash and cash equivalents at 1 January	**3,472,386**	4,524,654	**3,471,509**	4,518,703
Exchange difference on translation	**7,199**	4,129	**7,214**	4,086
Cash and cash equivalents at 31 December	**5,216,737**	3,472,386	**5,216,280**	3,471,509
Cash and cash equivalents comprise:				
Cash and short-term funds	**5,216,376**	2,814,333	**5,216,280**	2,813,456
Deposits and placements with banks and other financial institutions	**361**	658,053	**–**	658,053
	5,216,737	3,472,386	**5,216,280**	3,471,509

* *Net cash generated from/(used in) financing activities are solely attributable to changes from financing cash flows.*

The notes on pages 199 to 314 are an integral part of these financial statements.

STATEMENTS OF CASH FLOW

for the financial year ended 31 December 2020

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Bank's statements of cash flows from financing activities.

Group	Subordinated sukuk Murabahah Nominal RM'000	Subordinated sukuk Murabahah Finance cost payable RM'000	Lease liabilities RM'000	Total RM'000
At 1.1.2019	1,300,000	8,634	322,685	1,631,319
New acquisition	–	–	10,165	10,165
Changes from financing cash flows	–	(69,880)	(25,331)	(95,211)
Finance cost for the year	–	69,940	18,040	87,980
At 31.12.2019	1,300,000	8,694	325,559	1,634,253
At 1.1.2020	**1,300,000**	**8,694**	**325,559**	**1,634,253**
New acquisition	**1,100,000**	**–**	**437**	**1,100,437**
Redemption/reversal	**(700,000)**	**–**	**(1,472)**	**(701,472)**
Changes from financing cash flows	**–**	**(69,152)**	**(29,920)**	**(99,072)**
Finance cost for the year	**–**	**73,622**	**17,836**	**91,458**
Effects of movement in exchange rates	**–**	**–**	**(11)**	**(11)**
At 31.12.2020	**1,700,000**	**13,164**	**312,429**	**2,025,593**

Bank	Subordinated sukuk Murabahah Nominal RM'000	Subordinated sukuk Murabahah Finance cost payable RM'000	Lease liabilities RM'000	Total RM'000
At 1.1.2019	1,300,000	8,634	322,685	1,631,319
New acquisition	–	–	10,165	10,165
Changes from financing cash flows	–	(69,880)	(25,331)	(95,211)
Finance cost for the year	–	69,940	18,040	87,980
At 31.12.2019	1,300,000	8,694	325,559	1,634,253
At 1.1.2020	**1,300,000**	**8,694**	**325,559**	**1,634,253**
New acquisition	**1,100,000**	**–**	**401**	**1,100,401**
Redemption/reversal	**(700,000)**	**–**	**(1,472)**	**(701,472)**
Changes from financing cash flows	**–**	**(69,152)**	**(29,883)**	**(99,035)**
Finance cost for the year	**–**	**73,622**	**17,835**	**91,457**
Effects of movement in exchange rates	**–**	**–**	**(11)**	**(11)**
At 31.12.2020	**1,700,000**	**13,164**	**312,429**	**2,025,593**

The notes on pages 199 to 314 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of its subsidiaries are as disclosed in Note 13 to the financial statements.

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The address of its registered office and principal place of business is as follows:

Level 32, Menara Bank Islam
No. 22, Jalan Perak,
50450 Kuala Lumpur.

The immediate holding company of the Bank is BIMB Holdings Berhad, a public limited liability company incorporated in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad.

The ultimate holding entity is Lembaga Tabung Haji ("LTH"), a *hajj* pilgrims' funds board established under the Tabung Haji Act, 1995 (Act 535).

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as the "Group").

These financial statements were approved by the Board of Directors on 26 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) Statement of compliance

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

This is the first set of the Group's and of the Bank's annual financial statements in which the impact of COVID-19 ("pandemic") was considered. The Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The key measures affecting regulatory and accounting treatment and classifications are as follows:

(i) Moratorium repayment on financing:

- The Bank has granted an automatic repayment moratorium on all individuals' and small-medium enterprises' ("SMEs") financing (except for credit card balances) for a period of six months from 1 April 2020. The automatic moratorium applied to financing not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit. This measure is extended beyond 1 October 2020 to viable customers on a case-to-case basis.
- For credit card balances, the Bank offered the option to convert the balances to term financing.
- For corporate customers, the Bank granted assistance through repayment moratorium or additional working capital or rescheduling and restructuring of existing facilities. This is to enable viable corporations in preserving jobs and resuming economic activities when conditions stabilise and improve.

The financial impact of the moratorium repayment is disclosed in Note 2.17.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(ii) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework for Islamic Banks for which assistance is granted:

- The determination of "days past due" is based on the new repayment terms of rescheduled and restructured financing.
- Individuals or SMEs are not considered to be in default based on the "unlikeliness to repay" at the time of when the assistance was granted, except for when customers are subject to bankruptcy action.
- Corporates "unlikeliness to repay" are based on holistic assessment of all relevant factors and information, not on the act of accepting assistance from the Bank.

The regulatory capital treatment above shall apply to financing denominated in Malaysian Ringgit that meet the following criteria;

- The principal or profit or both, is not in arrears exceeding 90 days at the application date of assistance.
- The application is received on or before 30 June 2021.

(iii) Classification in the Central Credit Reference Information System ("CCRIS")

The following shall apply for rescheduled and restructured financing with arrears not exceeding 90 days at the application date of assistance received on or before 30 June 2021:

- The financing need not be reported as (R&R) in CCRIS; and
- The financing need not be reported as credit-impaired in CCRIS

However, financing with multiple R&R (more than one R&R are made from 1 April 2020 until 30 June 2021) is excluded from the above treatment as it is deemed as non-viable financing.

(iv) Bank Negara Malaysia ("BNM") allows financial institutions to drawdown certain prudential buffers as below:

- Drawdown the capital conservation buffer of 2.5%;
- Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;
- Reduce the regulatory reserves held against expected credit losses to 0%; and
- Minimum Net Stable Funding Ratio ("NSFR") is lowered to 80% from 100% effective 1 July 2020.

BNM requires financial institutions to restore the minimum regulatory requirements by 30 September 2021.

Other than as described above, the adoption of other accounting standards, interpretations and amendments did not have any significant impact on the Group and the Bank.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform-Phase 2*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Annual improvements to MFRS Standards 2018-2020
- Amendments to MFRS 3, *Business Combinations*
- Amendments to MFRS 116, *Property, Plant and Equipment*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contract*

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

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

The Group and the Bank plan to apply the abovementioned standards, amendments and interpretations on the respective effective dates.

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Bank.

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for derivative financial instruments, financial assets at fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI"), which have been measured at fair value.

(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 (RM'000), unless otherwise stated.

(d) Use of estimates and judgement

The preparation of the financial statements 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 financial statements in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in the following notes:

- Note 2.22 and Note 40 – Fair value of financial instruments
- Note 2.9 – Impairment
- Note 11 – Deferred tax assets

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less impairment losses, if any. Where there is indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

(c) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset at FVOCI depending on the level of influence retained.

(d) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

2.3 Foreign currency

(a) Foreign currency transactions

In preparing the financial statements of the Group entities, transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting date 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 date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

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

In the consolidated financial statements, when settlement of monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Translation Reserve in equity.

(b) Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting date. The income and expenses of the foreign operations are translated to RM at average exchange rates for the period.

All resulting exchange differences are recognised in other comprehensive income and accumulated in the Translation Reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Cash and cash equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions maturing within one month.

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below. The Group and the Bank have consider the impact of the pandemic and there is no changes to the Group's and the Bank's business model for managing the financial instruments.

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and 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.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI – debt instrument; FVOCI – equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Bank change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

These assets are subsequently measured at amortised cost using effective profit rate method. These assets are stated net of unearned income and any impairment loss.

Included in financial assets measured at amortised cost are financing, advances and others which consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah, Bai Al-Dayn and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek, construction-based contract (Istisna') and Ar-Rahnu contract.

These financing contracts are recorded in the financial statements as financial assets measured at amortised cost based on concept of 'substance over form' and in accordance with MFRS 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

(b) Financial assets at FVOCI

(i) FVOCI – debt instrument

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for profit income, impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in OCI is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

(ii) FVOCI – equity instrument

On initial recognition of an equity instrument that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c) Financial assets at FVTPL

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group and the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Business model assessment

The Group and the Bank make an assessment of the objective of the business model in which a financial asset is held at the portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's and the Bank's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and profit ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group and the Bank consider:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and profit ("SPPI") (continued)

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Derivative financial instruments

The Group and the Bank hold derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group and the Bank elect not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

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. In the event of an embedded derivatives, the host contract that is not a financial assets are recognised separately and accounted for in accordance with the policy applicable to the nature of the host contract.

Financial liabilities

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

The financial liabilities measured at amortised cost are deposit from customers, investment accounts of customers, deposits and placement of banks and other financial institutions, bills and acceptance payables, Subordinated Sukuk Murabahah and other liabilities.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Financial liabilities (continued)

(a) Investment accounts

Investment accounts are either:

(i) Unrestricted investment accounts

An unrestricted investment account ("UA") refers to a type of investment account where the investment account holder ("IAH") provides the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The UA is structured under Mudharabah and Wakalah contracts.

Impairment allowances required on the assets for investment accounts are charged to and borne by the investors.

(ii) Restricted investment accounts

Restricted investment account ("RA") refers to a type of investment account where the IAH provides a specific investment mandate to the Bank such as purpose, asset class, economic sector and period of investment.

RA is accounted for as off balance sheet as the Bank has no risk and reward in respect of the assets related to the RA or to the residual cash flows from those assets except for the fee income generated by the Bank for managing the RA. The Bank also has no ability to exercise power over the RA to affect the amount of the Bank's return. The RA is structured under the Wakalah contract whereby the IAH appoints the Bank as the agent to invest the funds provided by IAH to finance customers with a view of earning profits and the Bank receives fees for the agency service provided.

Financial guarantee contracts

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

Fair value arising from financial guarantee contracts are classified as deferred income and 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. Financial guarantee contarcts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the allowance for impairment; and
- the premium received on initial recognition less cumulative income recognised in accordance with the principal of MFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in 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.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.6 Property and equipment

(a) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the 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. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (continued)

(a) Recognition and measurement (continued)

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(b) Subsequent costs

The cost of replacing a component of an item of property 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 Group and the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Bank will obtain ownership by the end of the lease term. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

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

• Long term leasehold land	50 years
• Building improvement and renovations	10 years
• Furniture, fixtures and fittings	2 – 10 years
• Office equipment	6 years
• Motor vehicles	5 years
• Computer equipment	
• Core Banking System	7 years
• Other hardware/software	5 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases

Leases with non-cancellable agreements or either party has an economic incentives not to terminate the lease such that it would incur significant penalty, are recognised as Right-Of-Use ("ROU") assets and corresponding liabilities at the date at which the leased assets are available for use by the Group and the Bank. The right-of-use assets are depreciated over the lease term on a straight-line basis.

The associated lease liabilities are measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate. The weighted average incremental borrowing rate applied for the Group and the Bank was at 5.7%.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lessee accounting

The Group and the Bank firsr consider whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group and the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and the Bank;
- the Group and the Bank have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; or
- the Group and the Bank have the right to direct the use of the identified asset throughout the period of use.

The Group and the Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group and the Bank recognises a right-of-use asset and a lease liability on the statement of financial position. The ROU asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group and the Bank depreciates the ROU assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group and the Bank also assesses the ROU asset for impairment when such indicators exist.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Leases (continued)

Lessee accounting (continued)

Measurement and recognition of leases as a lessee (continued)

At the commencement date, the Group and the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the profit rate implicit in the lease if that rate is readily available or the Group's or Bank's incremental financing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for profit expense. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.

The Group and the Bank have elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a ROU asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Lessor accounting

As a lessor, the Group and the Bank classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Leases, where the Group and 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 on 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. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

When the Group and the Bank are an intermediate lessor, it assesse the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group and the Bank apply the exemption described above, then it classify the sublease as an operating lease.

2.8 Bills and other receivables

Bills and other receivables are stated at amortised cost less any allowance for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment

Impairment of financial assets

(i) Impairment of financial assets

The Group and the Bank recognise allowance for impairment or allowance for expected credit loss "ECL" on financial assets measured at amortised cost, financial guarantee contracts, financing commitments and debt securities measured at FVOCI, but not to investments in equity instruments.

At each reporting date, the Group and the Bank first assess individually whether objective evidence of impairment exists for significant financial assets and collectively for financial assets that are not individually significant. If it is determined that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial assets measured at amortised cost and FVOCI, a lifetime ECL will be recognised for impairment loss which has been incurred.

The Group and the Bank have considered the impact of the pandemic and has taken into account the economic and financial measures announced by the Governement in estimating the ECL on the financial assets.

Under collective assessment, the Group and the Bank apply a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12 months ECL ("Stage 1")

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon recognition, the portion of lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

ii) Stage 2: Lifetime ECL – not credit impaired ("Stage 2")

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL – credit impaired ("Stage 3")

Financial assets are assessed as credit impaired when one or more events that have a negative impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised.

The Group and the Bank consider the economic and financial measures announced by the Government, i.e. automatic moratorium as well as rescheduling and restructuring for eligible customers are granted as part of an unprecedented government effort to support the economy amid the pandemic, rather than in response to the financial circumstances of individual customers. Judgement is excercised in determining the significant increase in credit risk for customers receiving relief assistance and do not automatically result in a stage transfer.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment (continued)

Impairment of financial assets (continued)

(i) Impairment of financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Bank's historical experience, informed credit assessment and including forward-looking information.

The Group and the Bank assume that the credit risk on a financial asset has increased significantly when it is more than 30 days past due. The Group and the Bank also use its internal credit risk grading system and external risk rating to assess deterioration in credit quality of a financial assets.

The Group and the Bank assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

(ii) Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and the Bank expect to receive).

ECLs are discounted at the effective profit rate of the financial asset.

(iii) Incorporation of forward-looking information

Relevant macroeconomic factors are incorporated in the risk parameters as appropriate. The key macroeconomics variables ("MEV") that are incorporated in determining ECLs include, but not limited to, Kuala Lumpur Composite Index ("KLCI"), Unemployment Rate, House Price Index ("HPI"), Consumer Price Index ("CPI"), and Industrial Production Index ("IPI"). To reflect the impact of the pandemic, the Group and the Bank extend the MEV to, among others, Gross Domestic Product ("GDP").

Forward-looking macroeconomic forecasts are generated by the Group's and the Bank's Economist as part of the ECL process. An economic forecast is accompanied with three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. The Group and the Bank have revised the probability of occurring as below:

Economic scenarios	As previously disclosed	Revised
Base case	60%	60%
Upside	30%	20%
Downside	10%	20%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment (continued)

Impairment of financial assets (continued)

(iii) Incorporation of forward-looking information (continued)

Selected MEVs are projected over the forecast period, and they could have a material impact in determining ECLs. Forecasted MEVs are derived by Economist using time series econometrics. The data series are procured from the official source such as Department of Statistics Malaysia ("DOSM"), BNM and other government agencies. Prior to MEV forecast, Economists would gather his or her intelligence from discussion with the policy makers, institutional investors and other news flow (main stream and social media) in order to form an opinion. The opinion may cover the economic policies, business cycle and financial market condition. This will be the main input before embarking MEV forecast exercise.

The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

(iv) Credit impaired financial assets

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in profit or principal payments;
- the restructuring of a financing or advance by the Group and the Bank on terms that the Group and the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- based on external credit assessment institutions rating which indicates high likelihood of default.

(v) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

(vi) Restructured financing

A financing that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated financing is a substantially different instrument. Where such financing are derecognised, the renegotiated contract is a new financing and impairment is assessed in accordance with the Group's and the Bank's accounting policy.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment (continued)

Impairment of financial assets (continued)

(vi) Restructured financing (continued)

Where the renegotiation of such financing are not derecognised, the gross carrying amount is recalculated based on the revised cash flows with gain or loss on modification recognised in profit or loss. Impairment continues to be assessed for significant increases in credit risk compared to the initial origination credit risk rating.

(vii) Write-off

The gross carrying amount of a financial asset is written-off when the Group and the Bank have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group and the Bank have a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For commercial and corporate customers, the Group and the Bank individually make an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group and the Bank expect no significant recovery from the amount written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's and the Bank's procedures for recovery of amounts due.

Impairment of other assets

The carrying amount of other assets (except for current tax assets and 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.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date 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. 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 the profit or loss in the year in which the reversals are recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Bills and acceptances payable

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

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group and the Bank have 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.

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.12 Contingent liabilities

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

2.13 Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow 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 assets unless the probability of inflow of economic benefits is remote.

2.14 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.15 Share Capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Recognition of income

Financing income

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group and the Bank have considered all contractual terms of the financial instruments but do not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

Once a financial assets or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the effective profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, brokerage fees and wakalah performance incentive fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service tax, discounts on satisfaction of performance obligations and completion of each stage of the assignment.

Dividend income from subsidiaries and other investments are recognised when the Bank's rights to receive payment is established.

2.17 Material profit or loss items

The Group and the Bank have identified item which is material due to the significance of their nature and/or their amount. This is listed separately here to provide a better understanding of the financial performance of the Group and of the Bank.

	Group and Bank	
	2020 RM'000	2019 RM'000
Loss on modification of financial assets	**(136,380)**	–

During the financial period, the Group and the Bank granted an automatic moratorium on certain financing repayments (except for credit card balances), to individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist customers experiencing temporary financial constraints due to the COVID-19 pandemic.

Following the end of the six-month blanket moratorium, the Group and the Bank continue to support financing customers that face difficulties in fulfilling their financial obligation, through the Targeted Repayment Assistance ("TRA") programme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Material profit or loss items (continued)

As a result of the payment moratorium and TRA, the Group and the Bank recognised a one-off loss of RM136,380,000 arising from the modification of the expected cash flows of the financing.

The following table includes a summary of information for financial assets with lifetime ECL whose cash flows were modified during the financial year as part of the Group and Bank's restructuring activities and their respective effect on the Group and the Bank's financial performance:

	Group and Bank	
	2020 RM'000	2019 RM'000
Financing, advances and others:		
Amortised cost before modification	**1,881,218**	–
Net modification loss	**1,867,943**	–

2.18 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Zakat

This represents business zakat that is paid on the Bank's portion. It is an obligatory amount payable by the Group and the Bank to comply with the rules and principles of Shariah.

2.20 Employee benefits

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 and termination benefits if the Group and the Bank have 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.

The Group's and the Bank's contribution to the Employees Provident Fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

2.21 Earnings per ordinary shares

The Group presents basic earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

2.22 Fair value measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group and the Bank measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group and the Bank use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group and the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Fair value measurements (continued)

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group and the Bank recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	**725,644**	821,600	**725,548**	821,071
Money at call and interbank placements with remaining maturity not exceeding one month	**4,490,732**	1,992,733	**4,490,732**	1,992,385
	5,216,376	2,814,333	**5,216,280**	2,813,456

All bank balances are assessed to have low credit risk as they are held with reputable banking institutions and the identified expected credit loss was immaterial.

Cash and bank balances of the Group includes restricted cash amounting to RM4,423,000 (2019: RM54,764,000) which is attributed to the creation of units of the funds. Accordingly, amount due to trustee was recognised and disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bank Negara Malaysia	–	658,053	–	658,053
Licensed Islamic Banks	361	–	–	–
	361	658,053	–	658,053

Deposits and placements balances of the Group includes restricted cash amounting to RM361,000 (2019: RM Nil) which is attributed to one of the subsidiary's customer placement with the Bank.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS ("FVTPL")

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Money market instruments				
Malaysian Government Investment Issues	602,925	274,162	602,925	274,162
Unit trust	238,490	239,130	232,730	233,505
Malaysian Islamic Treasury Bills	243,618	99,571	243,618	99,571
Islamic Commercial Paper	30,051	50,189	30,051	50,189
Corporate Sukuk	66,116	16	66,116	16
	1,181,200	663,068	1,175,440	657,443

6. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

	2020		
		Fair value	
Group and Bank	Notional amount RM'000	Assets RM'000	Liabilities RM'000
Forward contracts	8,518,422	59,494	(104,228)
Profit rate swaps	114,056	2,171	(1,644)
	8,632,478	61,665	(105,872)

6. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)

Group and Bank	2019 Notional amount RM'000	2019 Fair value Assets RM'000	2019 Fair value Liabilities RM'000
Forward contracts	6,255,520	31,626	(35,927)
Profit rate swaps	147,098	1,700	(819)
	6,402,618	33,326	(36,746)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at FVOCI:				
(a) Debt instrument*	**12,494,040**	12,099,681	**12,494,040**	12,099,681
(b) Equity instrument	**63,951**	46,959	**64,689**	47,697
	12,557,991	12,146,640	**12,558,729**	12,147,378

* *Included in debt instruments are investment made in Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") amounting to RM600,000,000 (2019: RM Nil) as part of the Bank's Statutory Reserves Requirements ("SRR") compliance.*

(a) Debt instrument at FVOCI

	Group and Bank	
	2020 RM'000	2019 RM'000
Money market instruments		
Malaysian Government Investment Issues	**2,919,864**	2,253,390
Corporate Sukuk	**9,314,815**	9,615,420
Islamic Commercial Papers	**259,361**	230,871
	12,494,040	12,099,681

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

(a) Debt instrument at FVOCI (continued)

Movement of allowance for impairment on financial assets at FVOCI income:

	Group and Bank	
	2020 RM'000	**2019 RM'000**
Stage 1		
At 1 January	**265**	302
Net allowances made during the year	**138**	(37)
At 31 December	**403**	265

(b) Equity instrument at FVOCI

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Quoted Shares				
– outside Malaysia#	**13,755**	8,978	**13,755**	8,978
Unquoted Shares				
– in Malaysia*	**50,194**	37,979	**50,932**	38,717
– outside Malaysia	**2**	2	**2**	2
	50,196	37,981	**50,934**	38,719
	63,951	46,959	**64,689**	47,697

Equity instrument at FVOCI mainly comprise the following significant individual investment:

	Fair value		Dividend income	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
#Amana Bank Limited	**13,755**	8,978	**503**	545
*Payment Networks Malaysia Sdn Bhd	**49,478**	37,264	**–**	–

8. FINANCING, ADVANCES AND OTHERS

(a) By type and Shariah contract

Group and Bank 2020	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
Cash line	-	-	-	1,465	1,287,126	-	-	-	1,288,591
Term financing									
House financing	3,238,398	-	-	-	18,280,073	-	45,780	-	21,564,251
Syndicated financing	-	-	-	-	1,459,016	-	-	-	1,459,016
Leasing financing	-	-	-	-	-	114,300	-	-	114,300
Bridging financing	-	-	-	-	-	-	47,380	-	47,380
Personal financing	-	-	-	5,256	16,816,181	-	-	-	16,821,437
Other term financing	487,567	1,411,820	-	15	10,736,190	-	1,119	-	12,636,711
Staff financing	46,367	15,847	-	-	307,861	-	7,584	-	377,659
Credit cards	-	-	-	-	447,471	-	-	-	447,471
Trade bills discounted	-	631,567	31,221	3,034	164,888	-	-	-	830,710
Trust receipts	-	5,584	5	-	-	-	-	-	5,589
Pawn broking	-	-	-	-	-	-	-	5,481	5,481
	3,772,332	2,064,818	31,226	9,770	49,498,806	114,300	101,863	5,481	55,598,596
Allowance for impairment on financing, advances and others									
- Stage 1									(653,983)
- Stage 2									(151,446)
- Stage 3									(122,532)
Net financing, advances and others									**54,670,635**

^ *Assets funded under Ijarah financing are owned by the Bank throughout the tenure of the Ijarah financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the Ijarah financing contract.*

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(a) By type and Shariah contract (continued)

Group and Bank 2019	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At-Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek^ RM'000	Istisna' RM'000	Ar-Rahnu RM'000	Total RM'000
At amortised cost									
Cash line	-	-	-	1,497	1,429,391	-	-	-	1,430,888
Term financing									
House financing	3,422,625	-	-	-	16,194,868	-	47,072	-	19,664,565
Syndicated financing	-	-	-	-	1,032,250	-	-	-	1,032,250
Leasing financing	-	-	-	-	-	111,653	-	-	111,653
Bridging financing	-	-	-	-	-	-	52,122	-	52,122
Personal financing	-	-	-	6,680	14,614,052	-	-	-	14,620,732
Other term financing	721,670	1,290,035	-	24	9,591,672	-	1,130	-	11,604,531
Staff financing	52,414	10,872	-	-	179,838	-	8,372	-	251,496
Credit cards	-	-	-	-	492,829	-	-	-	492,829
Trade bills discounted	-	772,494	113,840	-	-	-	-	-	886,334
Trust receipts	-	5,269	-	193	-	-	-	-	5,462
Pawn broking	-	-	-	-	-	-	-	71,107	71,107
	4,196,709	2,078,670	113,840	8,394	43,534,900	111,653	108,696	71,107	50,223,969
Allowance for impairment on financing, advances and others									
- Stage 1									(431,135)
- Stage 2									(148,115)
- Stage 3									(172,197)
Net financing, advances and others									49,472,522

^ *Assets funded under Ijarah financing are owned by the Bank throughout the tenure of the Ijarah financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the Ijarah financing contract.*

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(a) By type and Shariah contract (continued)

Included in financing, advances and others are house financing and personal financing that are used for the underlying assets of Unrestricted Investment Accounts ("UA") and financing sold to Cagamas with recourse to the Group and the Bank. The details are as follows:

	Note	Group 2020 RM'000	Group 2019 RM'000
House financing			
Unrestricted Investment Accounts	16	**8,740,902**	6,726,143
Sold to Cagamas with recourse	17	**1,501,187**	1,501,187
		10,242,089	8,227,330
Personal financing			
Unrestricted Investment Accounts	16	**3,627,626**	3,514,230

(b) By type of customer

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Domestic non-bank financial institutions	**1,473,316**	1,595,043
Domestic business enterprise	**9,859,263**	8,384,026
Small & medium enterprises	**1,799,003**	2,017,946
Government & statutory bodies	**743,051**	729,905
Individuals	**41,353,603**	37,227,020
Other domestic entities	**102,008**	71,582
Foreign entities	**268,352**	198,447
	55,598,596	50,223,969

(c) By profit rate sensitivity

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Fixed rate		
House financing	**732,437**	985,880
Others	**3,859,673**	3,700,354
Floating rate		
House financing	**21,485,764**	19,299,203
Others	**29,520,722**	26,238,532
	55,598,596	50,223,969

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(d) By remaining contractual maturity

	Group and Bank	
	2020 RM'000	2019 RM'000
Maturity within one year	**3,660,883**	4,615,374
More than one year to three years	**1,516,856**	1,265,070
More than three years to five years	**3,272,167**	3,230,831
More than five years	**47,148,690**	41,112,694
	55,598,596	50,223,969

(e) By geographical distribution

	Group and Bank	
	2020 RM'000	2019 RM'000
Central Region	**25,745,132**	23,794,695
Eastern Region	**8,757,468**	7,861,683
Northern Region	**7,431,066**	6,673,024
Southern Region	**9,416,361**	8,278,422
East Malaysia Region	**4,248,569**	3,616,145
	55,598,596	50,223,969

(f) By sector

	Group and Bank	
	2020 RM'000	2019 RM'000
Primary agriculture	**1,044,451**	1,266,687
Mining and quarrying	**67,305**	38,712
Manufacturing (including agro-based)	**1,001,272**	881,445
Electricity, gas and water supply	**2,032,684**	1,863,658
Wholesale & retail trade, and restaurants & hotels	**951,149**	927,772
Construction	**2,736,468**	2,238,954
Transport, storage and communications	**681,659**	918,959
Finance, insurance, real estate and business activities	**4,557,954**	3,731,211
Education, health and others	**1,168,902**	1,126,374
Household sectors	**41,356,752**	37,230,197
	55,598,596	50,223,969

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(g) Movement in impaired financing and advances ("impaired financing")

	Group and Bank	
	2020 RM'000	2019 RM'000
At 1 January	**433,001**	425,937
Classified as impaired during the year	**311,012**	701,221
Reclassified as not impaired during the year	**(190,989)**	(372,172)
Amount recovered	**(67,114)**	(97,001)
Amount written-off	**(112,676)**	(224,984)
At 31 December	**373,234**	433,001
Gross impaired financing as a percentage of gross financing, advances and others	**0.67%**	0.86%

The contractual amount outstanding on financing and advances that were written-off during the year are still subject to enforcement activity.

(h) Impaired financing by geographical distribution

	Group and Bank	
	2020 RM'000	2019 RM'000
Central Region	**174,617**	181,730
Eastern Region	**86,291**	101,743
Northern Region	**78,220**	79,976
Southern Region	**19,167**	47,527
East Malaysia Region	**14,939**	22,025
	373,234	433,001

(i) Impaired financing by sector

	Group and Bank	
	2020 RM'000	2019 RM'000
Manufacturing (including agro-based)	**28,328**	45,715
Wholesale & retail trade, and hotels & restaurants	**89,812**	97,043
Construction	**36,220**	29,361
Transport, storage and communications	**17,801**	10,217
Finance, insurance, real estate and business activities	**6,141**	8,125
Education, health & others	**3,969**	8,179
Household sectors	**190,963**	234,361
	373,234	433,001

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8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(j) Movement of allowance for impairment on financing, advances and others

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	416,450	129,402	243,853	789,705
Transfer to Stage 1	1,931	(1,798)	(133)	–
Transfer to Stage 2	(6,868)	9,175	(2,307)	–
Transfer to Stage 3	(461)	(8,696)	9,157	–
Net allowance made during the year	(59,446)	45,272	149,340	135,166
New financial assets originated or purchased	127,923	2,567	2,411	132,901
Financial assets that have been derecognised	(44,291)	(27,807)	(5,140)	(77,238)
Write-offs	–	–	(224,984)	(224,984)
Exchange differences	(4,103)	–	–	(4,103)
At 31 December 2019/1 January 2020	**431,135**	**148,115**	**172,197**	**751,447**
Transfer to Stage 1	**1,245**	**(1,179)**	**(66)**	**–**
Transfer to Stage 2	**(7,782)**	**10,508**	**(2,726)**	**–**
Transfer to Stage 3	**(264)**	**(7,659)**	**7,923**	**–**
Net allowance made during the year	**134,059**	**13,592**	**60,558**	**208,209**
New financial assets originated or purchased	**139,295**	**6,403**	**686**	**146,384**
Financial assets that have been derecognised	**(44,708)**	**(18,334)**	**(3,364)**	**(66,406)**
Write-offs	**–**	**–**	**(112,676)**	**(112,676)**
Exchange differences	**1,003**	**–**	**–**	**1,003**
At 31 December 2020	**653,983**	**151,446**	**122,532**	**927,961**

(k) Effect of modifications on the measurement of allowance for impaired financing, advances and others

The following table discloses information on financing and advances that were modified but not derecognised during the year, for which the allowance for impaired financing, advances and others were measured at a lifetime ECL at the beginning of the year, and at the end of the year had changed to a 12-months ECL:

	Group and Bank	
	2020 RM'000	2019 RM'000
Amortised cost before the modification	**431**	10,405
Gross carrying amount at end of reporting period	**439**	10,268

9. OTHER FINANCIAL ASSETS AT AMORTISED COST

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Sukuk	**5,289**	5,684	**5,289**	5,684
Other receivables	**168,256**	116,813	**157,952**	112,856
Deposit and prepayments	**41,012**	32,846	**40,457**	32,071
Related companies*	**1,056**	1,033	**1,154**	1,110
	215,613	156,376	**204,852**	151,721
Less: Allowance for impairment				
Stage 3				
– Sukuk	**(5,289)**	(5,684)	**(5,289)**	(5,684)
– Other receivables	**(2,975)**	(5,475)	**(2,975)**	(5,475)
	207,349	145,217	**196,588**	140,562

* *This relates to amounts due from holding and related companies that are unsecured, not subject to compensation charges for late payment and repayment is neither fixed nor expected.*

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

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for the financial year ended 31 December 2020

11. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

The components of deferred tax assets and liabilities during the financial year are as follows:

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Deferred tax assets	**1,511**	33,774	**–**	32,268
Deferred tax liabilities	**(74,445)**	–	**(74,445)**	–
	(72,934)	33,774	**(74,445)**	32,268
Deferred tax assets:				
Provisions	**32,505**	33,347	**32,520**	33,347
Impairment allowances	**86,457**	33,108	**86,457**	33,108
Leases	**24,673**	23,142	**24,646**	23,142
Tax losses	**1,510**	1,510	**–**	–
Offsetting	**(143,634)**	(57,333)	**(143,623)**	(57,329)
Total deferred tax assets	**1,511**	33,774	**–**	32,268
Deferred tax liabilities:				
Property and equipment	**(6,370)**	(3,462)	**(6,359)**	(3,458)
Change in fair value reserves	**(48,379)**	(53,871)	**(48,379)**	(53,871)
Deferred income from moratorium	**(163,330)**	–	**(163,330)**	–
Offsetting	**143,634**	57,333	**143,623**	57,329
Total deferred tax liabilities	**(74,445)**	–	**(74,445)**	–

11. DEFERRED TAX ASSETS (CONTINUED)

The movement in temporary differences during the year are as follows:

	Provisions RM'000	Impairment allowances RM'000	Leases RM'000	Unabsorbed Capital Allowances RM'000	Deferred income from moratorium RM'000	Tax losses RM'000	Property and equipment RM'000	Change in fair value reserve RM'000	Total RM'000
Group									
At 1 January 2019	29,787	26,860	-	829	-	1,308	(6,568)	(831)	51,385
Effect upon adoption of MFRS 16	-	-	21,258	-	-	-	-	-	21,258
At 1 January 2019	29,787	26,860	21,258	829	-	1,308	(6,568)	(831)	72,643
Recognised in profit or loss	3,560	6,248	1,884	(829)	-	202	3,106	-	14,171
Recognised in other comprehensive income	-	-	-	-	-	-	-	(53,040)	(53,040)
At 31 December 2019/ 1 January 2020	**33,347**	**33,108**	**23,142**	**-**	**-**	**1,510**	**(3,462)**	**(53,871)**	**33,774**
Recognised in profit or loss	**(842)**	**53,349**	**1,531**	**-**	**(163,330)**	**-**	**(2,908)**	**-**	**(112,200)**
Recognised in other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,492**	**5,492**
At 31 December 2020	**32,505**	**86,457**	**24,673**	**-**	**(163,330)**	**1,510**	**(6,370)**	**(48,379)**	**(72,934)**
Bank									
At 1 January 2019	29,532	26,860	-	829	-	-	(6,548)	(831)	49,842
Effect upon adoption of MFRS 16	-	-	21,258	-	-	-	-	-	21,258
At 1 January 2019	29,532	26,860	21,258	829	-	-	(6,548)	(831)	71,100
Recognised in profit or loss	3,815	6,248	1,884	(829)	-	-	3,090	-	14,208
Recognised in other comprehensive income	-	-	-	-	-	-	-	(53,040)	(53,040)
At 31 December 2019/ 1 January 2020	**33,347**	**33,108**	**23,142**	**-**	**-**	**-**	**(3,458)**	**(53,871)**	**32,268**
Recognised in profit or loss	**(827)**	**53,349**	**1,504**	**-**	**(163,330)**	**-**	**(2,901)**	**-**	**(112,205)**
Recognised in other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,492**	**5,492**
At 31 December 2020	**32,520**	**86,457**	**24,646**	**-**	**(163,330)**	**-**	**(6,359)**	**(48,379)**	**(74,445)**

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for the financial year ended 31 December 2020

11. DEFERRED TAX ASSETS (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unabsorbed capital allowance	**131,819**	131,819	**131,784**	131,784
Unutilised tax losses	**1,251**	1,251	**-**	-
Deductible temporary differences	**329**	329	**-**	-
	133,399	133,399	**131,784**	131,784

Under the current tax legislation, the unutilised tax losses will expire in year 2025 where the unutilised capital allowance do not expire.

The Bank's unabsorbed capital allowances of RM131,784,000 (2019: RM131,784,000) is in respect of its leasing business, whereby management considered it is uncertain whether the Bank is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

12. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

The statement of financial position shows the following amounts relating to leases:

	Group and Bank	
	2020 RM'000	2019 RM'000
Right-of-use assets:		
Buildings	**209,736**	229,135
Lease liabilities	**312,429**	325,559

The statement of profit or loss shows the following amounts relating to leases:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation charge on right-of-use assets	**18,348**	15,141	**18,317**	15,141
Finance cost	**17,836**	18,040	**17,835**	18,040
Expenses relating to short-term leases	**35,192**	36,119	**35,477**	35,979

12. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The nature of the Group's and the Bank's leasing activities recognised in the statement of financial position are described as below:

	No. of leases	Range of remaining terms	Average remaining lease terms	No. of leases with termination option
Right-of-use assets:				
Buildings	8	0.3-15.5 years	13.97 years	8

Future minimum lease payments at 31 December 2020 are as follows:

	Minimum lease payment due			
	Within 1 year RM'000	1 – 3 years RM'000	> 5 years RM'000	Total RM'000
31 December 2020				
Lease payment	**30,639**	**81,604**	**365,537**	**477,780**
Finance cost	**17,203**	**47,918**	**100,230**	**165,351**
Net present value	**13,436**	**33,686**	**265,307**	**312,429**
31 December 2019				
Lease payment	30,146	85,693	393,035	508,874
Finance cost	17,890	49,852	115,573	183,315
Net present value	12,256	35,841	277,462	325,559

13. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2020 RM'000	2019 RM'000
At cost		
Unquoted shares in Malaysia	**16,447**	16,447
Less: Accumulated impairment loss	**(922)**	(922)
	15,525	15,525

NOTES TO THE FINANCIAL STATEMENTS

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13. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows:

Name of Company	Principal activities	Effective ownership interest 2020 %	Effective ownership interest 2019 %
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provides nominee services	**100**	100
BIMB Investment Management Berhad	Manages Islamic Unit Trust Funds	**100**	100
Bank Islam Trust Company (Labuan) Ltd.	Provides services as a Labuan registered trust company	**100**	100
and its subsidiary:			
BIMB Offshore Company Management Services Sdn. Bhd.	Acts as Resident Corporate Secretary and Director for Offshore Companies	**100**	100
Farihan Corporation Sdn. Bhd.	Provides manpower services to the Bank	**100**	100

14. PROPERTY AND EQUIPMENT

Group	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost									
At 1 January 2020	14,784	35,764	135,352	102,239	445,043	943	4,362	23,428	761,915
Additions	-	646	2,370	4,478	32,100	-	2,130	51,155	92,879
Reclassifications	-	372	1,782	351	17,908	-	(2,505)	(17,908)	-
Disposals	-	-	(81)	(85)	(903)	-	-	-	(1,069)
Written-off	-	(749)	(2,770)	(4,391)	(13,584)	-	-	-	(21,494)
Exchange difference	-	-	(5)	(7)	(6)	-	-	-	(18)
At 31 December 2020	14,784	36,033	136,648	102,585	480,558	943	3,987	56,675	832,213
Accumulated depreciation									
At 1 January 2020	2,174	27,857	101,793	89,781	344,014	701	-	-	566,320
Depreciation for the year	174	1,849	8,871	5,881	39,678	93	-	-	56,546
Disposals	-	-	(81)	(85)	(901)	-	-	-	(1,067)
Written-off	-	(583)	(2,092)	(4,342)	(13,552)	-	-	-	(20,569)
Exchange difference	-	-	(5)	(6)	(6)	-	-	-	(17)
At 31 December 2020	2,348	29,123	108,486	91,229	369,233	794	-	-	601,213
Net carrying amount									
At 31 December 2020	12,436	6,910	28,162	11,356	111,325	149	3,987	56,675	231,000

14. PROPERTY AND EQUIPMENT (CONTINUED)

Group	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost									
At 1 January 2019	14,784	34,604	130,884	98,773	388,379	943	4,846	36,874	710,087
Additions	-	917	2,645	3,795	26,501	-	3,272	21,782	58,912
Reclassifications	-	511	2,609	607	35,257	-	(3,756)	(35,228)	-
Disposals	-	-	-	(20)	(4,998)	-	-	-	(5,018)
Written-off	-	(268)	(783)	(911)	(93)	-	-	-	(2,055)
Exchange difference	-	-	(3)	(5)	(3)	-	-	-	(11)
At 31 December 2019	14,784	35,764	135,352	102,239	445,043	943	4,362	23,428	761,915
Accumulated depreciation									
At 1 January 2019	2,000	26,124	92,723	84,438	315,378	608	-	-	521,271
Depreciation for the year	174	1,989	9,829	6,263	33,701	93	-	-	52,049
Disposals	-	-		(18)	(4,998)	-	-	-	(5,016)
Written-off	-	(256)	(756)	(897)	(64)	-	-	-	(1,973)
Exchange difference	-	-	(3)	(5)	(3)	-	-	-	(11)
At 31 December 2019	2,174	27,857	101,793	89,781	344,014	701	-	-	566,320
Net carrying amount									
At 31 December 2019	12,610	7,907	33,559	12,458	101,029	242	4,362	23,428	195,595

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14. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost									
At 1 January 2020	14,784	35,526	135,263	101,929	442,917	943	4,362	23,428	759,152
Additions	-	646	2,370	4,470	31,913	-	2,130	51,155	92,684
Reclassifications	-	372	1,782	351	17,908	-	(2,505)	(17,908)	-
Disposals	-	-	(81)	(85)	(903)	-	-	-	(1,069)
Written-off	-	(749)	(2,770)	(4,391)	(13,584)	-	-	-	(21,494)
Exchange difference	-	-	(5)	(5)	(1)	-	-	-	(11)
At 31 December 2020	14,784	35,795	136,559	102,269	478,250	943	3,987	56,675	829,262
Accumulated depreciation									
At 1 January 2020	2,174	27,646	101,727	89,486	342,318	701	-	-	564,052
Depreciation for the year	174	1,833	8,862	5,877	39,502	93	-	-	56,341
Disposals	-	-	(81)	(85)	(901)	-	-	-	(1,067)
Written-off	-	(583)	(2,092)	(4,342)	(13,552)	-	-	-	(20,569)
Exchange difference	-	-	(5)	(5)	(1)	-	-	-	(11)
At 31 December 2020	2,348	28,896	108,411	90,931	367,366	794	-	-	598,746
Net carrying amount									
At 31 December 2020	12,436	6,899	28,148	11,338	110,884	149	3,987	56,675	230,516

14. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost									
At 1 January 2019	14,784	34,369	130,801	98,433	386,328	943	4,846	36,874	707,378
Additions	-	914	2,639	3,794	26,453	-	3,272	21,782	58,854
Reclassifications	-	511	2,609	636	35,228	-	(3,756)	(35,228)	-
Disposals	-	-	-	(20)	(4,998)	-	-	-	(5,018)
Written-off	-	(268)	(783)	(911)	(93)	-	-	-	(2,055)
Exchange difference	-	-	(3)	(3)	(1)	-	-	-	(7)
At 31 December 2019	14,784	35,526	135,263	101,929	442,917	943	4,362	23,428	759,152
Accumulated depreciation									
At 1 January 2019	2,000	25,936	92,666	84,115	313,900	608	-	-	519,225
Depreciation for the year	174	1,966	9,820	6,260	33,510	93	-	-	51,823
Disposals	-	-	-	(18)	(4,998)	-	-	-	(5,016)
Written-off	-	(256)	(756)	(868)	(93)	-	-	-	(1,973)
Exchange difference	-	-	(3)	(3)	(1)	-	-	-	(7)
At 31 December 2019	2,174	27,646	101,727	89,486	342,318	701	-	-	564,052
Net carrying amount									
At 31 December 2019	12,610	7,880	33,536	12,443	100,599	242	4,362	23,428	195,100

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15. DEPOSITS FROM CUSTOMERS

(a) By type of deposit

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Savings Deposit				
Qard	**6,051,242**	4,681,710	**6,051,242**	4,681,710
Demand Deposit				
Qard	**11,742,875**	10,967,942	**11,752,697**	11,029,237
Term Deposit	**33,163,038**	31,653,852	**33,171,405**	31,660,691
Special Investment Deposit				
Mudharabah	**3,662**	3,915	**3,662**	3,915
General Investment Deposit				
Mudharabah	**176,359**	209,693	**176,359**	209,693
Term Deposit-i				
Tawarruq	**31,496,106**	30,448,694	**31,504,473**	30,455,533
Negotiable Islamic Debt Certificates (NIDC)	**1,486,911**	991,550	**1,486,911**	991,550
Others	**120,107**	105,234	**120,107**	105,234
Total Deposits	**51,077,262**	47,408,738	**51,095,451**	47,476,872

(b) Maturity structure of term deposits are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Due within six months	**18,093,028**	12,162,445	**18,093,941**	12,163,806
More than six months to one year	**9,960,654**	7,726,707	**9,962,675**	7,727,809
More than one year to three years	**2,336,348**	9,056,935	**2,341,781**	9,061,311
More than three years to five years	**2,773,008**	2,707,765	**2,773,008**	2,707,765
	33,163,038	31,653,852	**33,171,405**	31,660,691

15. DEPOSITS FROM CUSTOMERS (CONTINUED)

(c) By type of customers

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Domestic non-bank financial institutions	**6,901,831**	7,823,994	**6,920,020**	7,892,128
Business enterprises	**20,921,604**	19,656,635	**20,921,604**	19,656,635
Government and statutory bodies	**13,033,032**	11,479,529	**13,033,032**	11,479,529
Individuals	**7,042,432**	5,893,922	**7,042,431**	5,893,922
Domestic banking institutions	**718,962**	149,839	**718,962**	149,839
Others	**2,459,401**	2,404,819	**2,459,402**	2,404,819
	51,077,262	47,408,738	**51,095,451**	47,476,872

16. INVESTMENT ACCOUNTS OF CUSTOMERS

(a) By type and Shariah contract

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unrestricted investment accounts				
Without maturity:				
Mudharabah	**5,113,275**	3,211,343	**5,113,275**	3,211,343
– Savings	***4,446,643***	*2,880,046*	***4,446,643***	*2,880,046*
– Demand	***666,632***	*331,297*	***666,632***	*331,297*
With maturity:				
Wakalah	**7,255,253**	7,029,030	**7,255,622**	7,029,030
	12,368,528	10,240,373	**12,368,897**	10,240,373
Restricted investment accounts ("RA") managed by the Bank^				
With maturity:				
Wakalah	**11,915**	35,062	**11,915**	35,062

^ *Included in RA managed by the Bank is an arrangement between the Bank and its ultimate holding entity where the Bank acts as an investment agent to manage and administer the RA, with underlying assets amounting to RM11,915,000 (2019: RM35,062,000).*

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for the financial year ended 31 December 2020

16. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(b) By type of customers

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Individuals	**4,840,308**	3,448,415	**4,840,308**	3,448,415
Government and statutory bodies	**4,385,196**	3,747,895	**4,385,196**	3,747,895
Business Enterprises	**1,130,539**	769,038	**1,130,539**	769,038
Non-bank financial institutions	**1,861,096**	2,182,680	**1,861,465**	2,182,680
International Islamic Bank	**–**	10,001	**–**	10,001
Others	**151,389**	82,344	**151,389**	82,344
	12,368,528	10,240,373	**12,368,897**	10,240,373

(c) Movement of investment accounts of customers

	Unrestricted investment accounts			Restricted investment accounts
Group	**Mudharabah RM'000**	**Wakalah RM'000**	**Total RM'000**	**Wakalah RM'000**
As at 1 January 2019	2,594,846	2,581,973	5,176,819	78,717
Funding inflows/outflows:				
Net movement	606,511	–	606,511	–
New placement	–	8,442,709	8,442,709	–
Redemption/Principal repayment	–	(4,161,287)	(4,161,287)	(48,030)
Income from investment	148,478	247,186	395,664	4,821
Bank's share of profit:				
Profit distributed to Mudharib	(138,492)	–	(138,492)	–
Wakalah fees	–	(81,551)	(81,551)	(446)
As at 31 December 2019/ 1 January 2020	**3,211,343**	**7,029,030**	**10,240,373**	**35,062**
Funding inflows/outflows:				
Net movement	**1,891,324**	**–**	**1,891,324**	**–**
New placement	**–**	**7,231,351**	**7,231,351**	**–**
Redemption/Principal repayment	**–**	**(7,216,546)**	**(7,216,546)**	**(23,849)**
Income from investment	**167,812**	**339,397**	**507,209**	**1,278**
Bank's share of profit:				
Profit distributed to Mudharib	**(157,204)**	**–**	**(157,204)**	**–**
Wakalah fees	**–**	**(127,979)**	**(127,979)**	**(576)**
As at 31 December 2020	**5,113,275**	**7,255,253**	**12,368,528**	**11,915**

16. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(c) Movement of investment accounts of customers (continued)

Bank	Unrestricted investment accounts Mudharabah RM'000	Unrestricted investment accounts Wakalah RM'000	Unrestricted investment accounts Total RM'000	Restricted investment accounts Wakalah RM'000
As at 1 January 2019	2,594,846	2,581,973	5,176,819	78,717
Funding inflows/outflows:				
Net movement	606,511	–	606,511	–
New placement	–	8,442,709	8,442,709	–
Redemption/Principal repayment	–	(4,161,287)	(4,161,287)	(48,030)
Income from investment	148,478	247,186	395,664	4,821
Bank's share of profit:				
Profit distributed to Mudharib	(138,492)	–	(138,492)	–
Wakalah fees	–	(81,551)	(81,551)	(446)
As at 31 December 2019/ 1 January 2020	**3,211,343**	**7,029,030**	**10,240,373**	**35,062**
Funding inflows/outflows:				
Net movement	**1,891,324**	**–**	**1,891,324**	**–**
New placement	**–**	**7,231,720**	**7,231,720**	**–**
Redemption/Principal repayment	**–**	**(7,216,546)**	**(7,216,546)**	**(23,849)**
Income from investment	**167,812**	**339,397**	**507,209**	**1,278**
Bank's share of profit:				
Profit distributed to Mudharib	**(157,204)**	**–**	**(157,204)**	**–**
Wakalah fees	**–**	**(127,979)**	**(127,979)**	**(576)**
As at 31 December 2020	**5,113,275**	**7,255,622**	**12,368,897**	**11,915**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

16. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(c) Movement of investment accounts of customers (continued)

	Unrestricted investment accounts			Restricted investment accounts
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	Wakalah RM'000
Group				
Investment portfolio:				
2020				
House financing	**5,113,275**	**3,627,627**	**8,740,902**	**–**
Personal financing	**–**	**3,627,626**	**3,627,626**	**–**
Other term financing	**–**	**–**	**–**	**11,915**
	5,113,275	**7,255,253**	**12,368,528**	**11,915**
2019				
House financing	3,211,343	3,514,800	6,726,143	–
Personal financing	–	3,514,230	3,514,230	–
Other term financing	–	–	–	35,062
	3,211,343	7,029,030	10,240,373	35,062
Bank				
Investment portfolio:				
2020				
House financing	**5,113,275**	**3,627,811**	**8,741,086**	**–**
Personal financing	**–**	**3,627,811**	**3,627,811**	**–**
Other term financing	**–**	**–**	**–**	**11,915**
	5,113,275	**7,255,622**	**12,368,897**	**11,915**
2019				
House financing	3,211,343	3,514,800	6,726,143	–
Personal financing	–	3,514,230	3,514,230	–
Other term financing	–	–	–	35,062
	3,211,343	7,029,030	10,240,373	35,062

16. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(d) By maturity structures, profit sharing ratio and rate of return

Group	Total amount RM'000	Investment account holders: Average profit sharing ratio (%)	Average rate of return (%)	Bank's wakalah fee (%)
2020				
Unrestricted investment accounts:				
Less than 3 months				
– Mudharabah	**5,113,275**	**2**	**0.25**	**–**
– Wakalah	**2,889,632**	**–**	**2.44**	**1.84**
	8,002,907			
Between 3 to 12 months				
– Wakalah	**4,337,062**	**–**	**3.03**	**1.24**
Between 1 to 2 years				
– Wakalah	**28,559**	**–**	**3.23**	**1.04**
	4,365,621			
	12,368,528			
Restricted investment accounts:				
Between 2 to 5 years	**11,915**	**–**	**3.70**	**2.36**
2019				
Unrestricted investment accounts:				
Less than 3 months				
– Mudharabah	3,211,343	2	0.34	–
– Wakalah	1,679,479	–	3.86	1.42
	4,890,822			
Between 3 to 12 months				
– Wakalah	5,349,551	–	3.60	1.68
	10,240,373			
Restricted investment accounts:				
Between 2 to 5 years	35,062	–	2.83	0.75

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

16. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(d) By maturity structures, profit sharing ratio and rate of return (continued)

		Investment account holders		
Bank	**Total amount RM'000**	**Average profit sharing ratio (%)**	**Average rate of return (%)**	**Bank's wakalah fee (%)**
2020				
Unrestricted investment accounts:				
Less than 3 months				
– *Mudharabah*	**5,113,275**	**2**	**0.25**	**–**
– *Wakalah*	**2,889,632**	**–**	**2.44**	**1.84**
	8,002,907			
Between 3 to 12 months				
– *Wakalah*	**4,337,062**	**–**	**3.03**	**1.24**
Between 1 to 2 years				
– *Wakalah*	**28,928**	**–**	**3.23**	**1.04**
	4,365,990			
	12,368,897			
Restricted investment accounts:				
Between 2 to 5 years	**11,915**	**–**	**3.70**	**2.36**
2019				
Unrestricted investment accounts:				
Less than 3 months				
– *Mudharabah*	3,211,343	2	0.34	–
– *Wakalah*	1,679,479	–	3.86	1.42
	4,890,822			
Between 3 to 12 months				
– *Wakalah*	5,349,551	–	3.60	1.68
	10,240,373			
Restricted investment accounts:				
Between 2 to 5 years	35,062	–	2.83	0.75

17. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

Recourse obligations on financing sold to Cagamas represents house financing accounts that are sold to Cagamas with recourse. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing are not de-recognised and are analysed in Note 8.

18. SUBORDINATED SUKUK MURABAHAH

	Note	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Issued under the RM1.0 billion Programme			
First tranche	(a)	**–**	303,356
Second tranche	(b)	**–**	400,964
Third tranche	(c)	**302,046**	302,046
		302,046	1,006,366
Issued under the RM10.0 billion Programme			
First tranche	(d)	**302,243**	302,328
Second tranche	(e)	**403,904**	–
Third tranche	(f)	**704,971**	–
		1,411,118	302,328
		1,713,164	1,308,694
Finance cost on Subordinated Sukuk Murabahah		**73,622**	69,940

The details of the issued subordinated Sukuk are as follows:

Note	Nominal value RM'000	Issue date	First call date*	Maturity Date	Profit rate (% p.a.)#
(a)	300,000	22 April 2015	22 April 2020	22 April 2025	**5.75**
(b)	400,000	15 December 2015	15 December 2020	15 December 2025	**5.50**
(c)	300,000	13 November 2017	12 December 2022	12 November 2027	**5.08**
(d)	300,000	7 November 2018	7 December 2023	7 November 2028	**5.15**
(e)	400,000	26 March 2020	26 March 2025	26 March 2030	**3.75**
(f)	700,000	21 October 2020	21 October 2025	21 October 2030	**3.60**

* *Optional redemption date or any periodic payment date thereafter.*
\# *Accrued and payable semi-annually in arrears.*

The Subordinated Sukuk Murabahah qualifies as Tier II capital for the computation of the regulatory capital of the Bank in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

19. OTHER LIABILITIES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables	**357,571**	389,770	**344,347**	332,441
Advance payment	**680,508**	437,053	**680,508**	437,053
Accruals	**98,784**	164,717	**97,030**	162,191
	1,136,863	991,540	**1,121,885**	931,685

Included in other payables is amount due to trustee amounting to RM4,423,000 (2019: RM54,764,000) attributed to the creation of unit trust funds. Also included in other payables is an amount under Government financing scheme for the purpose of SME financing at a concessionary rate, repayable in February 2029.

20. ZAKAT AND TAXATION

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Zakat	**11,999**	11,092	**11,827**	10,807
Taxation	**19,953**	6,336	**19,949**	6,335
	31,952	17,428	**31,776**	17,142

21. SHARE CAPITAL

	Number of shares (units)		Amount	
Group and Bank	2020 '000	2019 '000	2020 RM'000	2019 RM'000
Issued and fully paid				
Ordinary shares				
At 1 January	**2,509,982**	2,509,982	**3,012,368**	3,012,368
Allotment of new ordinary shares	**90,385**	–	**293,750**	–
At 31 December	**2,600,367**	2,509,982	**3,306,118**	3,012,368

22. RESERVES

	Note	Group		Bank	
		2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
FVOCI reserve	(a)	**188,298**	189,203	**188,298**	189,203
Translation reserve	(b)	**(99,740)**	(106,938)	**(99,591)**	(106,805)
Regulatory reserve	(c)	**–**	25,000	**–**	25,000
Total other reserves		**88,558**	107,265	**88,707**	107,398
Retained earnings		**2,891,023**	2,594,820	**2,884,760**	2,589,798
		2,979,581	2,702,085	**2,973,467**	2,697,196

(a) The FVOCI reserve includes the cumulative net change in the fair value of financial assets FVOCI until the financial asset is derecognised.

(b) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the offshore banking operations in the Federal Territory of Labuan.

(c) The regulatory reserve represents the Bank's compliance with BNM's Guideline on Financial Reporting for Islamic Banking Institution to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. As at 31 December 2020, the regulatory reserve held against expected credit losses is reduced to 0%, a COVID-19 related measure to drawdown prudential buffers as permitted by BNM.

23. SOURCES AND USES OF CHARITY FUNDS

Movement of sources and uses of charity funds are as follows:

Group and Bank	**2020 RM'000**	**2019 RM'000**
Undistributed funds as at the beginning of the financial year	**3**	7
Shariah non-compliance income:		
Funds collected/received during the year	**60**	51
Uses of funds during the year:		
Contribution to Public Benefit	**(52)**	(55)
Undistributed funds as at the end of the financial year	**11**	3

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Group and Bank	
	2020 RM'000	**2019 RM'000**
Income derived from investment of:		
(i) General investment deposits	**12,404**	16,378
(ii) Term deposit-i	**1,564,207**	1,838,249
(iii) Savings and demand deposits	**869,663**	818,128
(iv) Other deposits	**57,739**	84,949
	2,504,013	2,757,704

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2020 RM'000	**2019 RM'000**
Finance income and hibah		
Financing, advances and others	**10,088**	13,829
Financial assets:		
– fair value through profit and loss	**85**	79
– fair value through other comprehensive income	**965**	1,454
– other financial assets at amortised cost	**2**	3
Money at call and deposits with financial institutions	**141**	362
	11,281	15,727
Other dealing income		
Net gain from sale of financial assets at fair value through profit or loss	**2**	141
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	**(10)**	8
	(8)	149
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	**1,131**	502
	12,404	16,378
of which,		
Financing income earned on impaired financing	***103***	182
Unwinding of modification loss	***97***	–

24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(ii) Income derived from investment of term deposit-i

	Group and Bank	
	2020 RM'000	2019 RM'000
Finance income and hibah		
Financing, advances and others	**1,216,391**	1,517,697
Financial assets:		
– fair value through profit and loss	**12,825**	10,164
– fair value through other comprehensive income	**146,921**	187,059
– other financial assets at amortised cost	**297**	352
Money at call and deposits with financial institutions	**18,178**	39,693
	1,394,612	1,754,965
Other dealing income		
Net gain from sale of financial assets at fair value through profit or loss	**355**	17,504
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	**(1,532)**	871
	(1,177)	18,375
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	**170,772**	64,909
	1,564,207	1,838,249
of which,		
Financing income earned on impaired financing	***15,959***	23,204
Unwinding of modification loss	***15,684***	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(iii) Income derived from investment of savings and demand deposits

	Group and Bank	
	2020 RM'000	**2019 RM'000**
Finance income and hibah		
Financing, advances and others	**677,884**	675,861
Financial assets:		
– fair value through profit and loss	**7,134**	4,531
– fair value through other comprehensive income	**81,880**	83,286
– other financial assets at amortised cost	**167**	165
Money at call and deposits with financial institutions	**10,029**	17,618
	777,094	781,461
Other dealing income		
Net gain from sale of financial assets at fair value through profit or loss	**216**	7,726
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	**(1,126)**	537
	(910)	8,263
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	**93,479**	28,404
	869,663	818,128
of which,		
Financing income earned on impaired financing	***8,794***	10,347
Unwinding of modification loss	***9,061***	–

24. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(iv) Income derived from investment of other deposits

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Finance income and hibah		
Financing, advances and others	**45,274**	70,118
Financial assets:		
– fair value through profit and loss	**487**	475
– fair value through other comprehensive income	**5,484**	8,615
– other financial assets at amortised cost	**12**	15
Money at call and deposits with financial institutions	**689**	2,017
	51,946	81,240
Other dealing income		
Net (loss)/gain from sale of financial assets at fair value through profit or loss	**(73)**	807
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	**(63)**	110
	(136)	917
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	**5,929**	2,792
	57,739	84,949
of which,		
Financing income earned on impaired financing	***626***	1,094
Unwinding of modification loss	***464***	–

25. INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	Group and Bank 2020 RM'000	Group and Bank 2019 RM'000
Finance income		
Unrestricted investment accounts		
– *Mudharabah*	**167,693**	148,478
– *Wakalah*	**339,200**	247,186
Unwinding of modification loss	**7,041**	–
	513,934	395,664

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

26. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance income and hibah				
Financing, advances and others	**6,607**	6,622	**6,607**	6,622
Financial assets:				
– fair value through other comprehensive income	**190,253**	189,567	**190,253**	189,567
Money at call and deposits with financial institutions	**40**	5	**3**	4
	196,900	196,194	**196,863**	196,193
Other dealing income				
Net gain from foreign exchange transactions	**43,478**	55,710	**43,531**	55,710
Net derivatives gain/(loss)	**31**	(36)	**31**	(36)
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	**(3,986)**	9,638	**(3,982)**	9,632
	39,523	65,312	**39,580**	65,306
Other operating income				
Dividend income from debt instruments at FVTPL (unit trust)	**13,860**	8,913	**13,722**	8,738
Dividend income from subsidiary	**–**	–	**500**	–
Dividend income from equity instruments at FVOCI	**503**	545	**503**	545
Sale of investment in unit trust	**28**	–	**28**	–
Rebate on investment in unit trust	**979**	–	**979**	–
	15,370	9,458	**15,732**	9,283

26. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONTINUED)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fees and commission				
Card fees and commission	**74,466**	69,370	**74,466**	69,370
Takaful service fees and commission	**31,335**	33,502	**31,335**	33,502
Financing fees	**17,680**	16,724	**17,680**	16,724
Sales charges on unit trust	**11,856**	15,140	**–**	–
Unit trust management fees	**16,786**	17,723	**–**	–
Commission on MEPS	**2,108**	10,449	**2,108**	10,449
Ar-Rahnu fees	**6,815**	9,634	**6,815**	9,634
Mobile banking fees	**7,002**	6,624	**7,002**	6,624
Corporate advisory fees	**9,491**	8,165	**9,491**	8,165
Deposit and payment service fees	**4,629**	5,461	**4,629**	5,461
Processing fees	**9,732**	5,857	**9,732**	5,831
Commission on bills payment system	**1,331**	1,435	**1,331**	1,435
Commission from wealth management services	**110**	71	**4,712**	5,645
Ta'widh Charges	**1,387**	1,057	**1,387**	1,057
Others	**10,760**	15,362	**10,433**	14,031
	205,488	216,574	**181,121**	187,928
Other income				
Rental income	**2,549**	2,443	**2,931**	2,807
Net gain on disposal of property and equipment	**3**	421	**3**	421
Other income	**226**	480	**83**	289
	2,778	*3,344*	**3,017**	*3,517*
	460,059	490,882	**436,313**	462,227

27. NET ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Group and Bank	
	2020 RM'000	2019 RM'000
Net allowance for impairment on financing, advances and others:		
– Stage 1	**228,646**	24,186
– Stage 2	**1,661**	20,032
– Stage 3	**57,880**	146,611
Bad debts and financing recovered	**(79,516)**	(107,141)
	208,671	83,688

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

28. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits from customers:				
– Mudharabah fund	**4,758**	8,371	**4,758**	8,371
– Non-Mudharabah fund	**930,187**	1,296,350	**930,408**	1,296,625
Deposits and placements of banks and other financial institutions:				
– Non-Mudharabah fund	**421**	402	**421**	402
Recourse obligation on financing sold to Cagamas	**71,113**	71,201	**71,113**	71,201
	1,006,479	1,376,324	**1,006,700**	1,376,599

29. INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDERS

	Group and Bank	
	2020 RM'000	2019 RM'000
Unrestricted investment accounts		
– *Mudharabah*	**10,609**	9,987
– *Wakalah*	**211,417**	165,634
	222,026	175,621

30. PERSONNEL EXPENSES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries and wages	**387,121**	358,078	**378,437**	350,419
Allowances and bonuses	**108,688**	161,831	**106,875**	159,625
Employees' Provident Fund	**75,992**	64,954	**74,534**	63,605
Directors and Shariah Supervisory Council Members' remuneration	**7,040**	7,136	**6,012**	6,076
Medical benefits	**29,835**	29,048	**28,795**	28,519
Staff sales commission	**25,543**	15,551	**25,543**	15,551
Others	**29,148**	25,795	**29,165**	25,043
	663,367	662,393	**649,361**	648,838

31. OTHER OVERHEAD EXPENSES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Promotion				
Credit and debit card expenses	**40,574**	34,631	**40,574**	34,631
Advertisement and publicity	**12,469**	17,713	**12,363**	17,339
Others	**14,824**	22,129	**5,189**	8,982
	67,867	74,473	**58,126**	60,952
Establishment				
Depreciation of property and equipment	**56,546**	52,049	**56,341**	51,823
Depreciation of right-of-use assets	**18,348**	15,141	**18,317**	15,141
Office rental	**29,136**	30,431	**29,499**	30,376
Information technology expenses	**56,133**	47,838	**56,133**	47,838
Security services	**9,442**	9,147	**9,442**	9,147
Utilities	**12,771**	14,750	**12,698**	14,660
Office maintenance	**10,847**	11,048	**10,635**	10,822
Takaful	**5,645**	9,233	**5,641**	9,227
Rental of equipment	**6,056**	5,688	**5,978**	5,603
Others	**320**	320	**320**	320
	205,244	195,645	**205,004**	194,957
General expenses				
Outsourcing fees				
– Management of self-service terminal	**13,716**	12,129	**13,716**	12,129
– Credit recovery	**2,345**	277	**2,345**	277
– Others	**1,960**	4,760	**1,960**	4,760
Office supplies	**9,911**	8,686	**9,788**	8,545
Licenses	**9,957**	10,507	**9,957**	10,507
Travelling and transportation	**1,155**	8,073	**1,073**	7,861
Bank and service charges	**21,692**	14,844	**21,663**	14,819
General expenses	**22,547**	23,947	**22,547**	23,947
Security services for cash in transit	**5,735**	7,294	**5,735**	7,294
Postage and delivery charges	**9,829**	5,884	**9,760**	5,850
Management fees	**–**	–	**7,686**	7,557
Subscription fees	**5,486**	4,252	**5,483**	4,252
Professional fees	**11,199**	9,758	**10,956**	9,496
Mobile banking expenses	**2,011**	1,979	**2,011**	1,979
Auditors' remuneration				
– statutory audit fees	**957**	957	**878**	878
– others	**772**	275	**772**	275
Processing charges	**1,201**	1,362	**1,201**	1,362
Property and equipment written-off	**925**	82	**925**	82
Others	**16,576**	9,822	**10,916**	3,874
	137,974	124,888	**139,372**	125,744
	411,085	395,006	**402,502**	381,653

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32. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Chief Executive Officer:				
Salaries and other remuneration, including meeting allowances	**2,663**	2,546	**2,663**	2,546
Benefits-in-kind	**34**	34	**34**	34
	2,697	2,580	**2,697**	2,580
Non-Executive Directors:				
Fees	**1,033**	1,409	**997**	1,375
Other emoluments	**1,668**	1,588	**1,649**	1,569
Benefits-in-kind	**259**	229	**259**	229
	2,960	3,226	**2,905**	3,173
Directors of subsidiaries				
Executive Director:				
Salaries and other remuneration, including meeting allowances	**810**	865	**–**	–
Non-Executive Directors:				
Fees	**72**	66	**–**	–
Other emoluments	**68**	64	**–**	–
	140	130	**–**	–
Total	**6,607**	6,801	**5,602**	5,753
Members of Shariah Supervisory Council (SSC)				
– SSC of the Bank	**712**	592	**703**	586
– SSC of a subsidiary	**14**	6	**–**	–
Total	**726**	598	**703**	586
Grand total (excluding benefits-in-kind) (Note 30)	**7,040**	7,136	**6,012**	6,076

32. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer, Directors of the Bank is as follows:

	Remuneration received from the Bank				Bank	Remuneration received from subsidiaries		Group
31 December 2020	Salary and Bonus RM'000	Fees RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000	Fees RM'000	Other Emoluments RM'000	Total RM'000
Chief Executive Officer:								
Mohd Muazzam Mohamed	2,183	-	480	34	2,697	-	-	2,697
Non-Executive Directors:								
Tan Sri Dr. Ismail Hj. Bakar (appointed on 1 August 2020)	-	20	60	50	130	-	-	130
Datuk Zamani Abdul Ghani (resigned on 1 March 2020)	-	20	144	46	210	-	-	210
Dato' Sri Khazali Ahmad	-	78	148	28	254	-	-	254
Zahari @ Mohd Zin Idris	-	222	266	15	503	12	8	523
Mohamed Ridza Mohamed Abdulla	-	119	158	25	302	24	11	337
Datuk Nik Mohd Hasyudeen Yusoff	-	36	119	-	155	-	-	155
Noraini Che Dan	-	154	260	25	439	-	-	439
Azizan Ahmad	-	170	235	50	455	-	-	455
Mohd Yuzaidi Mohd Yusoff	-	148	223	20	391	-	-	391
Mashitah Haji Osman (appointed on 1 October 2020)	-	30	36	-	66	-	-	66
	-	997	1,649	259	2,905	36	19	2,960
	2,183	997	2,129	293	5,602	36	19	5,657

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32. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer, Directors of the Bank is as follows: (continued)

31 December 2019	Remuneration received from the Bank				Bank	Remuneration received from subsidiaries		Group
	Salary and Bonus RM'000	Fees RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000	Fees RM'000	Other Emoluments RM'000	Total RM'000
Chief Executive Officer:								
Mohd Muazzam Mohamed	2,100	-	446	34	2,580	-	-	2,580
Non-Executive Directors:								
Datuk Zamani Abdul Ghani	-	240	246	60	546	-	-	546
Dato' Sri Khazali Ahmad	-	108	109	25	242	-	-	242
Zahari @ Mohd Zin Idris	-	216	253	39	508	12	8	528
Mohamed Ridza Mohamed Abdulla	-	108	144	25	277	6	5	288
Datuk Nik Mohd Hasyudeen Yusoff	-	176	199	24	399	16	6	421
Noraini Che Dan	-	210	212	-	422	-	-	422
Azizan Ahmad	-	177	166	-	343	-	-	343
Mohd Yuzaidi Mohd Yusoff (appointed on 1 July 2019)	-	66	48	4	118	-	-	118
Tan Sri Dato' Dr. Abdul Shukor Husin (resigned on 1 April 2019)	-	39	99	25	163	-	-	163
Datuk Zaiton Mohd Hassan (resigned on 18 February 2019)	-	35	93	27	155	-	-	155
	-	1,375	1,569	229	3,173	34	19	3,226
	2,100	1,375	2,015	263	5,753	34	19	5,806

32. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)

The total remuneration of the members of the Shariah Supervisory Council of the Bank is as follows:

	Remuneration received from the Bank		Bank	Remuneration received from subsidiaries	Group
	Fees RM'000	Other Emoluments RM'000	Total RM'000	Fees RM'000	Total RM'000
31 December 2020					
Professor Dato' Dr. Ahmad Hidayat Buang	**72**	**95**	**167**	**–**	**167**
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	**66**	**32**	**98**	**6**	**104**
Assistant Professor Dr. Uzaimah Ibrahim	**66**	**36**	**102**	**–**	**102**
Ustazah Dr. Yasmin Hanani Mohd Safian	**66**	**69**	**135**	**–**	**135**
Asmadi Mohamed Naim	**61**	**35**	**96**	**–**	**96**
Shamsiah Mohamad	**61**	**14**	**75**	**3**	**78**
Sahibus Samahah Dato' Dr. Haji Anhar Haji Opir (resigned on 31 October 2019)	**–**	**30**	**30**	**–**	**30**
	392	**311**	**703**	**9**	**712**
31 December 2019					
Professor Dato' Dr. Ahmad Hidayat Buang	72	82	154	–	154
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	66	38	104	6	110
Assistant Professor Dr. Uzaimah Ibrahim	66	36	102	–	102
Ustazah Dr. Yasmin Hanani Mohd Safian	66	56	122	–	122
Sahibus Samahah Dato' Dr. Haji Anhar Haji Opir (resigned on 31 October 2019)	55	49	104	–	104
	325	261	586	6	592

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33. KEY MANAGEMENT PERSONNEL

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

The compensation for key management personnel other than the Directors' remuneration is as follows:

	Group and Bank	
	2020 RM'000	2019 RM'000
Other key management personnel:		
Short-term employee benefits	**28,047**	22,327

Number of employees categorised as key management personnel as at 31 December 2020 was 30 (2019: 25).

34. FINANCE COST

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance cost:				
Subordinated Sukuk Murabahah	**73,622**	69,940	**73,622**	69,940
Profit expense on lease	**17,836**	18,040	**17,835**	18,040
	91,458	87,980	**91,457**	87,980

35. TAX EXPENSE

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysian income tax:				
Current year	**67,027**	217,957	**66,860**	217,800
(Over)/Under provision in prior years	**(27,738)**	1,085	**(27,757)**	1,067
	39,289	219,042	**39,103**	218,867
Deferred tax expense relating to origination and reversal of temporary differences arising from:				
Current year	**110,077**	(14,310)	**110,077**	(14,310)
Under provision in prior years	**2,123**	139	**2,128**	102
	112,200	(14,171)	**112,205**	(14,208)
	151,489	204,871	**151,308**	204,659

35. TAX EXPENSE (CONTINUED)

A reconciliation of effective tax expense for the Group and the Bank are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	**728,213**	843,480	**726,836**	841,458
Income tax calculated using Malaysian tax rate of 24%	**174,771**	202,435	**174,441**	201,950
Income not subject to tax	**(1,920)**	(1,299)	**(1,634)**	(968)
Non-deductible expenses	**6,844**	5,914	**6,721**	5,911
Zakat	**(2,591)**	(3,403)	**(2,591)**	(3,403)
	177,104	203,647	**176,937**	203,490
(Over)/Under provision in prior years				
– Income tax	**(27,738)**	1,085	**(27,757)**	1,067
– Deferred tax	**2,123**	139	**2,128**	102
	151,489	204,871	**151,308**	204,659

36. EARNINGS PER SHARE

Basic earnings per share are calculated based on the net profit attributable to equity holders of the Group of RM564,954,000 (2019: RM627,609,000) and the weighted average number of ordinary shares outstanding during the year of 2,546,005,000 (2019: 2,509,982,000).

The Group has no dilution in its earnings per ordinary shares in the current and previous financial year as there are no dilutive potential ordinary shares.

37. DIVIDENDS

Dividends paid by the Bank:

	Sen per share	Total amount RM'000	Date of payment
2020			
Final 2019	**6.05**	**151,854**	**29 June 2020**
Interim 2020	**5.55**	**141,897**	**18 September 2020**
		293,751	
2019			
Final 2018	6.07	152,310	27 May 2019
Interim 2019	6.40	160,639	11 September 2019
		312,949	

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37. DIVIDENDS (CONTINUED)

From the total dividend amount paid wholly in cash of RM293.751 million, RM293.750 million was reinvested to subscribe for 90,384,667 new ordinary shares at RM3.25 each via the Dividend Reinvestment Plan.

The dividend was reinvested by the sole shareholder, BIMB Holdings Berhad to strengthen the Bank's capital position to fund the business growth of the Bank.

After the end of the financial year, the following dividend was proposed by the Directors. This dividend will be recognised in the subsequent financial year upon approval by the shareholder.

	Sen per share	Total amount RM'000
Final 2020 ordinary dividend	**5.37**	**139,640**

38. OPERATING SEGMENTS

The Group's reportable segments, as described below, can be classified into four segments. Each segment offers different products and services. The following summary describes the operations in each of the segments:

• Consumer Banking	Includes financing, deposits and other transactions and balances with retail customers
• Corporate and Commercial Banking	Includes corporate finance activities, financing, deposits and other transactions and balances with corporate customers, commercial customers and small & medium enterprises
• Treasury	Undertakes funding activities through borrowings and investing in liquid assets such as short-term placements and corporate and government debt securities
• Shareholders unit	Operates shareholders' funds

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before allocation of overheads and income tax.

38. OPERATING SEGMENTS (CONTINUED)

2020	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Group Total RM'000
Total Revenue	**1,854,908**	**652,036**	**784,963**	**66,123**	**(15,828)**	**3,342,202**
Net fund based income	**941,306**	**351,755**	**146,795**	**141,026**	**–**	**1,580,882**
Non-fund based income	**141,779**	**38,377**	**309,411**	**58,855**	**(15,607)**	**532,815**
Net income	**1,083,085**	**390,132**	**456,206**	**199,881**	**(15,607)**	**2,113,697**
Net allowance for impairment on financial assets	**(125,989)**	**(80,182)**	**257**	**–**	**–**	**(205,914)**
Profit before overheads, zakat and tax	**957,096**	**309,950**	**456,463**	**199,881**	**(15,607)**	**1,907,783**
Operating expenses						**(1,179,570)**
Profit before zakat and tax						**728,213**
Segment assets	**40,874,237**	**13,796,398**	**18,286,566**	**54,179**	**(35,164)**	**72,976,216**
Unallocated assets						**1,660,806**
Total assets						**74,637,022**

2019	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Group Total RM'000
Total Revenue	2,200,368	658,704	736,485	63,874	(14,735)	3,644,696
Net fund based income	993,080	385,801	104,199	190,043	–	1,673,123
Non-fund based income	147,766	38,702	191,026	56,594	(14,460)	419,628
Net income	1,140,846	424,503	295,225	246,637	(14,460)	2,092,751
Net allowance for impairment on financial assets	(50,285)	(38,402)	1,202	37	–	(87,448)
Profit before overheads, zakat and tax	1,090,561	386,101	296,427	246,674	(14,460)	2,005,303
Operating expenses						(1,161,823)
Profit before zakat and tax						843,480
Segment assets	36,854,137	12,618,385	15,488,586	99,278	(85,004)	64,975,382
Unallocated assets						2,618,420
Total assets						67,593,802

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39. FINANCIAL RISK MANAGEMENT

Overview

The Group's and the Bank's business activities involve the use of financial instruments which expose the Group and the Bank to various financial risks, namely credit risk, market risk and liquidity risk.

The Group's and the Bank's financial risk management is guided by the Bank's Risk Appetite Statement and Risk Management Policies/Guidelines and subject to the oversight by the Board of Directors ("Board") via the Board Risk Committee ("BRC").

The BRC is assisted by the specific Risk Management Committees namely the Management Risk Control Committee ("MRCC") and the Asset & Liability Management Committee ("ALCO").

(a) Financial instruments by categories

The table in subsequent pages provides an analysis of financial instruments categorised as follows:

- Fair value through profit or loss ("FVTPL")
- Financial assets at fair value through other comprehensive income ("FVOCI")
- Other financial assets at amortised cost ("AC")
- Financial liabilities measured at amortised cost ("FL")

Bank **31 December 2020**	**Carrying amount RM'000**	**FVTPL RM'000**	**FVOCI RM'000**	**Amortised cost RM'000**
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	**5,216,280**	–	–	**5,216,280**
Financial assets at FVTPL	**1,175,440**	**1,175,440**	–	–
Derivative financial assets	**61,665**	**61,665**	–	–
Financial assets at FVOCI	**12,558,729**	–	**12,558,729**	–
Financing, advances and others	**54,670,635**	–	–	**54,670,635**
Other financial assets at amortised cost*	**182,041**	–	–	**182,041**
Statutory deposits with Bank Negara Malaysia	**192,425**	–	–	**192,425**
	74,057,215	**1,237,105**	**12,558,729**	**60,261,381**
Financial liabilities				
Deposits from customers	**51,095,451**	–	–	**51,095,451**
Investment accounts of customers	**12,368,897**	–	–	**12,368,897**
Derivative financial liabilities	**105,872**	**105,872**	–	–
Bills and acceptance payable	**29,621**	–	–	**29,621**
Recourse obligations on financing sold to Cagamas	**1,501,187**	–	–	**1,501,187**
Subordinated Sukuk Murabahah	**1,713,164**	–	–	**1,713,164**
Other liabilities^	**1,024,855**	–	–	**1,024,855**
Lease liabilities	**312,429**	–	–	**312,429**
	68,151,476	**105,872**	–	**68,045,604**

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments by categories (continued)

Bank **31 December 2019**	**Carrying amount RM'000**	**FVTPL RM'000**	**FVOCI RM'000**	**Amortised cost RM'000**
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	3,471,509	–	–	3,471,509
Financial assets at FVTPL	657,443	657,443	–	–
Derivative financial assets	33,326	33,326	–	–
Financial assets at FVOCI	12,147,378	–	12,147,378	–
Financing, advances and others	49,472,522	–	–	49,472,522
Other financial assets at amortised cost*	133,489	–	–	133,489
Statutory deposits with Bank Negara Malaysia	1,170,136	–	–	1,170,136
	67,085,803	690,769	12,147,378	54,247,656
Financial liabilities				
Deposits from customers	47,476,872	–	–	47,476,872
Investment accounts of customers	10,240,373	–	–	10,240,373
Derivative financial liabilities	36,746	36,746	–	–
Bills and acceptance payable	49,084	–	–	49,084
Recourse obligations on financing sold to Cagamas	1,501,187	–	–	1,501,187
Subordinated Sukuk Murabahah	1,308,694	–	–	1,308,694
Other liabilities^	769,494	–	–	769,494
Lease liabilities	325,559	–	–	325,559
	61,708,009	36,746	–	61,671,263

* *Excludes prepayment*
^ *Excludes accruals*

There is no disclosure for the Group as the Group's financial instruments are not materially different from the Bank's financial instruments.

(b) Credit risk

Overview

Credit risk is the risk of a customer or counterparty failing to perform its obligations. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor. The types of credit risks that the Group and the Bank considers to be material include: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Credit risk governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the MRCC and/or BRC, guided by the Board of Directors' approved Risk Appetite Statement.

The Group and the Bank have instituted two (2) levels of Financing Committees, which assess and approve credits at their specified authority levels.

The MRCC is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Group's and the Bank's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's and the Bank's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Group's and the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

Management of credit risk

The management of credit risk is being performed by Credit Management Division ("CMD") and Risk Management Division ("RMD"), and two other units outside of the CMD and RMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Group's and the Bank's overall strategy and risk appetite;
- To ensure that the Group and the Bank is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Group and the Bank monitors its credit exposures either on a portfolio or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain parts of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private debt securities, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Note	Bank 2020 RM'000	Bank 2019 RM'000
Cash and short-term funds and deposits and placements with financial institutions		**4,546,890**	2,709,510
Financial assets at FVTPL*		**942,710**	423,938
Derivative financial assets	(a)	**61,665**	33,326
Financial assets at FVOCI^		**12,494,040**	12,099,681
Financing, advances and others	(b)	**54,670,635**	49,472,522
Other financial assets at amortised cost@		**182,041**	133,489
Sub-total		**72,897,981**	64,872,466
Credit related obligation:			
Financial guarantee contracts	(c)	**1,941,791**	1,950,487
Financing commitments#	(d)	**9,615,227**	9,061,076
Sub-total		**11,557,018**	11,011,563
Total credit exposures		**84,454,999**	75,884,029

* *Excludes unit trust*
^ *Excludes equity instruments*
@ *Excludes prepayment*
\# *Excludes derivative financial instruments*

There is no disclosure for the Group as the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments are not materially different from the Bank.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(a) Derivative financial assets

In mitigating the counterparty credit risks from foreign exchange and derivatives transactions, the Group and the Bank enter into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

(b) Financing, advances and others

Business and retail

Financing, advances and others will have levels of collateralisation depending on the nature of the product. The general creditworthiness of a corporate and commercial customer tends to be the most relevant indicator of credit quality of a financing extended to it.

The Group and the Bank manage its exposures to these customers by completing a credit evaluation to assess the customer's character, industry, business model and capacity to meet their commitments in a timely manner. The Group and the Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

The Group and the Bank routinely update the valuation of collateral held against all financing as it adopts an annual internal valuation policy and a 2 years external valuation policy.

At 31 December 2020, the gross exposure of credit-impaired financing and advances to corporate and commercial customers amounted to RM182,271,000 (2019: RM198,655,000) and the forced sales value of collateral held against those financing and advances amounted to RM298,895,000 (2019: RM310,524,000).

House financing

The following table presents credit exposures from financing and advances that are credit impaired by ranges of financing-to-value ("FTV") ratio. FTV is calculated as the ratio of the gross amount of the financing, or the amount committed for financing commitments - to the value of the collateral.

	Group and Bank	
FTV ratio	**2020 RM'000**	**2019 RM'000**
Credit-impaired financing		
Less than 51%	**35,725**	31,815
51-70%	**6,842**	10,628
More than 70%	**91,517**	119,718
Total	**134,084**	162,161

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(b) Financing, advances and others (continued)

Vulnerable sectors

The Group and the Bank have also identified certain vulnerable sectors that are mostly impacted by the pandemic, of which tighter assessment was made on the customers' credit rating, credit risk, credit cost and available financing.

Financing, advances and others	**On-balance sheet (net of impairment) RM'000**
Tourism, airlines, oil and gas, transportation, restaurant, hotel and others	**7,435,095**
% over total maximum exposure	**14%**

Relief and support measures

As mentioned in Note 2.1(a)(i), the Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The table below summarised total payment moratoriums and repayment assistances granted to the affected customers;

	Matured and repaying as per revised schedules RM'000	**Extended RM'000**	**Missed payments RM'000**	**Total granted RM'000**
Consumer	**30,346,281**	**2,869,399**	**313,404**	**33,529,084**
Mortgages	**17,388,738**	**1,801,123**	**151,010**	**19,340,871**
Hire purchase	**1,247,353**	**131,952**	**23,764**	**1,403,069**
Personal financing	**11,710,190**	**936,324**	**138,630**	**12,785,144**
Commercial	**756,016**	**1,165,548**	**20,928**	**1,942,492**
of which SME	***657,724***	***468,414***	***20,928***	***1,147,066***
Corporate	**1,852,238**	**556,124**	**-**	**2,408,362**
	32,954,535	**4,591,071**	**334,332**	**37,879,938**
As a percentage of total:				
Consumer	**90.5%**	**8.6%**	**0.9%**	**100.0%**
Mortgages	**89.9%**	**9.3%**	**0.8%**	**100.0%**
Hire purchase	**88.9%**	**9.4%**	**1.7%**	**100.0%**
Personal financing	**91.6%**	**7.3%**	**1.1%**	**100.0%**
Commercial	**38.9%**	**60.0%**	**1.1%**	**100.0%**
of which SME	**57.3%**	**40.9%**	**1.8%**	**100.0%**
Corporate	**76.9%**	**23.1%**	**-**	**100.0%**
	87.0%	**12.1%**	**0.9%**	**100.0%**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(c) Financial guarantee contracts ("FGC")

FGCs mainly comprise guarantees to customers, and to controlled entities of the Group and the Bank under the deed of cross guarantee, standby or documentary letters of credit and performance related contingencies. The Group and the Bank will typically have recourse to specific assets pledged as collateral in the event of a default by a party for which the Group and the Bank have guaranteed its obligations to a third party.

(d) Financing commitments

Financing commitments mainly comprise irrevocable financing commitments to finance a customer provided there is no breach of any condition established in the contract. If such financing commitments are drawn down by the customer there will typically be specific collateral requirements that will need to be satisfied by the customer in order to access to credit facilities.

(i) Concentration of credit risk for Group and Bank

Group 2020	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financing, advances and others RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	77,621	1,025,569	1,103,190	2,082	186,286
Mining and quarrying	-	-	-	-	64,894	64,894	16,014	80,830
Manufacturing (including agro-based)	-	-	9	53,677	962,181	1,015,867	143,149	579,419
Electricity, gas and water	-	16,074	-	1,277,590	1,966,976	3,260,640	64,469	148,676
Wholesale & retail trade, and hotels & restaurants	-	-	37,921	-	897,828	935,749	128,968	401,704
Construction	-	-	393	906,545	2,632,171	3,539,109	515,506	1,679,249
Transport, storage and communications	-	-	-	1,384,140	642,844	2,026,984	91,714	106,633
Finance, insurance, real estate and business activities	4,547,347	926,636	8,938	5,758,025	4,451,540	15,692,486	134,802	1,772,325
Education, health and others	-	-	746	870,928	1,152,752	2,024,426	515,978	1,837,248
Household sectors	-	-	-	-	40,873,880	40,873,880	-	946,401
Other sectors	-	-	13,658	2,165,514	-	2,179,172	329,109	1,876,456
	4,547,347	942,710	61,665	12,494,040	54,670,635	72,716,397	1,941,791	9,615,227

* *Financing commitments excluding derivative financial assets*

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Group 2019	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financing, advances and others RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	20,282	1,235,411	1,255,693	8,865	250,022
Mining and quarrying	-	-	-	-	420	420	10,145	44,278
Manufacturing (including agro-based)	-	-	30	62,973	819,640	882,643	136,235	449,484
Electricity, gas and water	-	-	-	1,883,960	1,818,272	3,702,232	67,660	156,012
Wholesale & retail trade, and hotels & restaurants	-	-	18,926	-	881,485	900,411	127,255	280,678
Construction	-	-	-	750,796	2,153,269	2,904,065	393,338	1,203,928
Transport, storage and communications	-	-	3	1,604,845	885,686	2,490,534	99,787	174,259
Finance, insurance, real estate and business activities	2,710,387	423,938	9,901	5,410,186	3,669,708	12,224,120	142,801	846,776
Education, health and others	-	-	47	683,042	1,112,776	1,795,865	560,120	982,567
Household sectors	-	-	-	-	36,895,855	36,895,855	-	796,966
Other sectors	-	-	4,419	1,683,597	-	1,688,016	404,281	3,876,106
	2,710,387	423,938	33,326	12,099,681	49,472,522	64,739,854	1,950,487	9,061,076

* *Financing commitments excluding derivative financial assets*

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Bank 2020	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financing, advances and others RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	77,621	1,025,569	1,103,190	2,082	186,286
Mining and quarrying	-	-	-	-	64,894	64,894	16,014	80,830
Manufacturing (including agro-based)	-	-	9	53,677	962,181	1,015,867	143,149	579,419
Electricity, gas and water	-	16,074	-	1,277,590	1,966,976	3,260,640	64,469	148,676
Wholesale & retail trade, and hotels & restaurants	-	-	37,921	-	897,828	935,749	128,968	401,704
Construction	-	-	393	906,545	2,632,171	3,539,109	515,506	1,679,249
Transport, storage and communications	-	-	-	1,384,140	642,844	2,026,984	91,714	106,633
Finance, insurance, real estate and business activities	4,546,890	926,636	8,938	5,758,025	4,451,540	15,692,029	134,802	1,772,325
Education, health and others	-	-	746	870,928	1,152,752	2,024,426	515,978	1,837,248
Household sectors	-	-	-	-	40,873,880	40,873,880	-	946,401
Other sectors	-	-	13,658	2,165,514	-	2,179,172	329,109	1,876,456
	4,546,890	942,710	61,665	12,494,040	54,670,635	72,715,940	1,941,791	9,615,227

* *Financing commitments excluding derivative financial assets*

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Bank 2019	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financing, advances and others RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	20,282	1,235,411	1,255,693	8,865	250,022
Mining and quarrying	-	-	-	-	420	420	10,145	44,278
Manufacturing (including agro-based)	-	-	30	62,973	819,640	882,643	136,235	449,484
Electricity, gas and water	-	-	-	1,883,960	1,818,272	3,702,232	67,660	156,012
Wholesale & retail trade, and hotels & restaurants	-	-	18,926	-	881,485	900,411	127,255	280,678
Construction	-	-	-	750,796	2,153,269	2,904,065	393,338	1,203,928
Transport, storage and communications	-	-	3	1,604,845	885,686	2,490,534	99,787	174,259
Finance, insurance, real estate and business activities	2,709,510	423,938	9,901	5,410,186	3,669,708	12,223,243	142,801	846,776
Education, health and others	-	-	47	683,042	1,112,776	1,795,865	560,120	982,567
Household sectors	-	-	-	-	36,895,855	36,895,855	-	796,966
Other sectors	-	-	4,419	1,683,597	-	1,688,016	404,281	3,876,106
	2,709,510	423,938	33,326	12,099,681	49,472,522	64,738,977	1,950,487	9,061,076

* *Financing commitments excluding derivative financial assets*

(ii) Collateral

The main types of collateral obtained by the Bank to mitigate the credit risk are as follows:

- For residential mortgages – charges over residential properties
- For commercial property financing – charges over the properties being financed
- For vehicle financing under Ijarah Thumma Al-Bai – ownership claims over the vehicles financed
- For other financing and advances – charges over business assets such as premises, inventories, trade receivables and/or cash deposits

As at 31 December 2020 and 31 December 2019, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others

The credit quality of the Bank's financing, advances and others are summarised as follows:

Group and Bank 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
Neither past due nor impaired ("NPDNI"):				
– Excellent	46,398,623	827,642	–	47,226,265
– Satisfactory	6,267,615	727,566	–	6,995,181
– Fair	263,084	112,065	–	375,149
	52,929,322	1,667,273	–	54,596,595
Past due but not impaired ("PDNI")	–	628,767	–	628,767
Impaired	–	–	373,234	373,234
Gross carrying amount	52,929,322	2,296,040	373,234	55,598,596
Financing commitments				
NPDNI:				
– Excellent	7,924,991	33,371	–	7,958,362
– Satisfactory	1,431,364	105,542	–	1,536,906
– Fair	69,915	27,818	–	97,733
	9,426,270	166,731	–	9,593,001
PDNI	–	5,501	–	5,501
Impaired	–	–	16,725	16,725
Gross exposure	9,426,270	172,232	16,725	9,615,227
Impairment allowances	(625,052)	(151,067)	(122,532)	(898,651)
Net exposure	61,730,540	2,317,205	267,427	64,315,172
Financial guarantee contracts				
NPDNI:				
– Excellent	1,691,570	583	–	1,692,153
– Satisfactory	232,950	15,669	–	248,619
– Fair	234	628	–	862
	1,924,754	16,880	–	1,941,634
PDNI	–	–	–	–
Impaired	–	–	157	157
Gross exposure	1,924,754	16,880	157	1,941,791
Impairment allowances	(28,930)	(380)	–	(29,310)
Net exposure	1,895,824	16,500	157	1,912,481

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

The credit quality of the Bank's financing, advances and others are summarised as follows: (continued)

Group and Bank 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
NPDNI:				
– Excellent	42,776,005	372,582	–	43,148,587
– Satisfactory	5,281,199	546,463	–	5,827,662
– Fair	208,508	47,241	–	255,749
	48,265,712	966,286	–	49,231,998
PDNI	–	558,970	–	558,970
Impaired	–	–	433,001	433,001
Gross carrying amount	48,265,712	1,525,256	433,001	50,223,969
Financing commitments				
NPDNI:				
– Excellent	7,610,330	113,645	–	7,723,975
– Satisfactory	1,167,045	69,998	–	1,237,043
– Fair	31,975	38,122	–	70,097
	8,809,350	221,765	–	9,031,115
PDNI	–	13,427	–	13,427
Impaired	–	–	16,534	16,534
Gross exposure	8,809,350	235,192	16,534	9,061,076
Impairment allowances	(402,059)	(147,588)	(172,197)	(721,844)
Net exposure	56,673,003	1,612,860	277,338	58,563,201
Financial guarantee contracts				
NPDNI:				
– Excellent	1,819,240	5,211	–	1,824,451
– Satisfactory	117,731	5,207	–	122,938
– Fair	229	2,290	–	2,519
	1,937,200	12,708	–	1,949,908
PDNI	–	–	–	–
Impaired	–	–	579	579
Gross exposure	1,937,200	12,708	579	1,950,487
Impairment allowances	(29,076)	(527)	–	(29,603)
Net exposure	1,908,124	12,181	579	1,920,884

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

No significant changes to estimation techniques or assumptions were made during the year.

Internal rating definition:-

Excellent to Good: Sound financial position with no difficulty in meeting its obligations.

Satisfactory: Adequate safety of meeting its current obligations but more time is required to meet the entire obligation in full.

Fair: Higher risks on payment obligations. Financial performance may continue to deteriorate.

Classification of financing, advances and others:-

- **Neither past due nor impaired financing**

  Financing for which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment.

- **Past due but not impaired financing**

  Financing for which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

- **Impaired financing**

  In addition to Note 2.1(a)(ii), financing is classified as impaired/defaulted:

  (i) where the principal or profit or both are past due for three (3) months or more;

  (ii) in the case of revolving credit facilities, where the outstanding amount has remained in excess of the approved limit for a period of three (3) months or more;

  (iii) where the amount is past due or the outstanding amount has been in excess of the approved limit for three (3) months or less and the financing exhibits indications of significant credit weakness;

  (iv) as soon as default occurs where the principal and/or profit repayments are schedule on intervals of three (3) months or longer.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

Past due but not impaired financing

	Group and Bank			
	2020		2019	
	RM'000	% to gross financing	RM'000	% to gross financing
By ageing				
Month-in-arrears 1	***429,323***	***0.77***	360,615	0.72
Month-in-arrears 2	***199,444***	***0.36***	198,355	0.39
	628,767	**1.13**	558,970	1.11

Impaired financing

	Group and Bank	
	2020 RM'000	2019 RM'000
By ageing		
Month-in-arrears 0	***38,464***	49,828
Month-in-arrears 1	***8,164***	10,731
Month-in-arrears 2	***20,125***	5,446
Month-in-arrears 3 and above	***306,481***	366,996
	373,234	433,001

Impaired financing of which rescheduled and restructured financing

	Group and Bank	
	2020 RM'000	2019 RM'000
Consumer	**23,608**	17,120
Business	**65,369**	61,786
	88,977	78,906

Rescheduled or restructured financings are financings that have been rescheduled or restructured due to deterioration in the customers' financial positions and the Bank has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six (6) months before it can be reclassified to performing.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

Key macroeconomic variables

The following table shows certain key macroeconomic variables used in modelling the allowance for credit losses for Stages 1 and 2. For the base, upside and downside scenarios, the projections are provided for the next 12 months and for the remaining forecast period, which represents a medium-term view.

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months (2021)	Remaining forecast period (2022)	Next 12 months (2021)	Remaining forecast period (2022)	Next 12 months (2021)	Remaining forecast period (2022)
Kuala Lumpur Composite Index ("KLCI")	1,750.0	1,850.0	1,850.0	1,950.0	910.2	1,010.2
House Price Index ("HPI")	1.86%	2.24%	3.60%	3.98%	0.57%	1.55%
Consumer Price Index ("CPI")	2.0%	2.3%	1.6%	1.9%	2.5%	2.8%
Unemployment Rate	3.5	3.3	3.2	2.9	4.3	3.7
Gross Domestic Production ("GDP")	6.20%	5.30%	6.63%	5.73%	4.20%	3.30%

An increase in unemployment rate or CPI will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors (KLCI, HPI and GDP) will generally correlate with lower allowances for credit losses. Due to the unprecedented nature of the pandemic, and the difficulty of predicting reliably the forecast period, the Group and the Bank have applied certain management overlay on the overall allowance for credit losses.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021. The impact were estimated at portfolio level and remain outside of the core MFRS 9 process. Total overlays for ECLs maintained by the Group and by the Bank as at 31 December 2020 are RM231,574,000.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits

Credit quality of other financial assets by external rating is as follows:

Bank **2020**	**Stage 1** **RM'000**	**Stage 3** **RM'000**	**Total** **RM'000**
Financial assets at FVOCI			
Debt instrument			
Government bonds and GG	**7,938,079**	**–**	**7,938,079**
Sukuk:			
Rated AAA	**3,020,792**	**–**	**3,020,792**
Rated AA1 to AA3	**1,519,327**	**–**	**1,519,327**
Lower than A	**–**	**15,842**	**15,842**
Gross carrying amount	**12,478,198**	**15,842**	**12,494,040**
Impairment allowances^	**403**	**–**	**403**
Derivative financial assets			
Bank and financial institution counterparties			**55,409**
Corporate			**6,256**
			61,665
Financial assets at FVTPL			
Government bonds and GG			**846,543**
Sukuk:			
Rated AAA			**96,167**
			942,710
Other financial assets at AC			
Other unrated financial assets	**182,041**	**8,264**	**190,305**
Impairment allowances	**–**	**(8,264)**	**(8,264)**
Net carrying amount	**182,041**	**–**	**182,041**

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits (continued)

Credit quality of other financial assets by external rating is as follows: (continued)

Bank 2019	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI			
Debt instrument			
Government bonds and treasury bills	7,731,637	–	7,731,637
Sukuk			
Rated AAA	3,374,297	–	3,374,297
Rated AA1 to AA3	971,687	–	971,687
Lower than A	–	22,060	22,060
Gross carrying amount	12,077,621	22,060	12,099,681
Impairment allowances^	265	–	265
Derivative financial assets			
Bank and financial institution counterparties			26,592
Corporate			6,734
			33,326
Financial assets at FVTPL			
Government bonds and treasury bills			373,743
Sukuk:			
Rated AAA			50,191
Rated AA1 to AA3			4
			423,938
Other financial assets at AC			
Other unrated financial assets	133,489	11,159	144,648
Impairment allowances	–	(11,159)	(11,159)
Net carrying amount	133,489	–	133,489

^ *The impairment allowances are recognised in OCI reserve.*

There is no disclosure for Group as the Group's financial assets are not materially different from the Bank's financial assets.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Overview

All the Group's and the Bank's financial instruments are subject to the risk that market prices and rates will move, resulting in profits or losses to the Group and to the Bank. The following are the main market risk factors that the Group and the Bank are exposed to:

- **Profit Rate Risk:** also known as the Rate of Return Risk, is the potential impact on the Group's and the Bank's profitability caused by changes in the rate of return due to general market movements or issuer/customer specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group's and the Bank's currency positions; and
- **Equity Instrument Risk:** the profitability impact on the Group's and the Bank's equity positions or investments caused by changes in equity prices or values.

The Group and the Bank separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Board-approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Group's and the Bank's profit rate management of the Bank's assets and liabilities and investment portfolio mainly for liquidity management.

Market risk governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by the ALCO and/or BRC, guided by the Board-approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the BRC for managing market risk at strategic level.

Management of market risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's and the Bank's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

The Market Risk Management Department ("MRMD") is the independent risk control function that is responsible for the implementation of market risk management framework. MRMD is also responsible for developing and reviewing the Group's and the Bank's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC. In addition, the market risk exposures and limits are reported to the ALCO and the BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include regular stress testing, adhoc simulations and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's and the Bank's profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk

The table below summarises the Group's and the Bank's exposure to profit rate risk. The table indicates average profit rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

Group 2020	Banking book: Up to 1 month RM'000	Banking book: >1-3 months RM'000	Banking book: >3-12 months RM'000	Banking book: 1-5 years RM'000	Banking book: Over 5 years RM'000	Banking book: Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds and deposits and placements with financial institutions	4,490,732	-	-	-	-	726,005	-	5,216,737	1.37
Financial assets at FVTPL	-	-	-	-	-	-	1,181,200	1,181,200	2.34
Derivative financial assets	-	-	-	-	-	-	61,665	61,665	0.71
Financial assets at FVOCI	79,793	678,405	1,226,955	6,725,858	3,846,980	-	-	12,557,991	5.69
Financing, advances and others									
- non-impaired	50,683,675	442,090	42,052	1,030,556	2,282,468	744,521	-	55,225,362	4.72
- impaired net of allowances*	-	-	-	-	-	(554,727)	-	(554,727)	
Other financial assets at amortised cost	-	-	-	-	-	192,574	-	192,574	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	192,425	-	192,425	
Total assets	55,254,200	1,120,495	1,269,007	7,756,414	6,129,448	1,300,798	1,242,865	74,073,227	
Liabilities									
Deposits from customers	12,210,156	8,395,068	10,787,258	1,735,439	35,117	17,914,224	-	51,077,262	1.99
Investment accounts of customers	2,482,295	2,231,737	2,534,420	6,801	-	5,113,275	-	12,368,528	1.91
Derivative financial liabilities	-	-	-	-	-	-	105,872	105,872	1.23
Bills and acceptance payable	-	-	-	-	-	29,621	-	29,621	
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,187	-	1,501,187	4.74
Subordinated Sukuk Murabahah	-	-	-	-	1,700,000	13,164	-	1,713,164	4.69
Other liabilities	-	-	-	-	-	1,038,079	-	1,038,079	
Lease liabilities	1,409	2,267	9,760	33,686	265,307	-	-	312,429	5.70
Total liabilities	14,693,860	10,629,072	13,331,438	3,275,926	2,000,424	24,109,550	105,872	68,146,142	
On-balance sheet profit sensitivity gap	40,560,340	(9,508,577)	(12,062,431)	4,480,488	4,129,024	(22,808,752)	1,136,993	5,927,085	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	114,056	-	-	-	114,056	
Total profit sensitivity gap	40,560,340	(9,508,577)	(12,062,431)	4,594,544	4,129,024	(22,808,752)	1,136,993	6,041,141	

* *This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.*

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group 2019	Banking book: Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds and deposits and placements with financial institutions	2,650,438	-	348	-	-	821,600	-	3,472,386	2.51
Financial assets at FVTPL	-	-	-	-	-	-	663,068	663,068	3.97
Derivative financial assets	-	-	-	-	-	-	33,326	33,326	0.52
Financial assets at FVOCI	46,960	306,846	1,816,596	6,072,029	3,904,209	-	-	12,146,640	4.83
Financing, advances and others									
- non-impaired	45,100,289	507,292	71,763	1,088,826	2,628,405	394,393	-	49,790,968	5.70
- impaired net of allowances*	-	-	-	-	-	(318,446)	-	(318,446)	
Other financial assets at amortised cost	-	-	-	-	-	137,655	-	137,655	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,170,136	-	1,170,136	
Total assets	47,797,687	814,138	1,888,707	7,160,855	6,532,614	2,205,338	696,394	67,095,733	
Liabilities									
Deposits from customers	7,664,642	10,048,295	11,781,782	2,149,298	9,835	15,754,886	-	47,408,738	2.76
Investment accounts of customers	1,120,694	2,655,565	3,238,788	13,983	-	3,211,343	-	10,240,373	2.33
Derivative financial liabilities	-	-	-	-	-	-	36,746	36,746	0.57
Bills and acceptance payable	-	-	-	-	-	49,084	-	49,084	
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000		1,187	-	1,501,187	4.75
Subordinated Sukuk Murabahah	-	-	-	-	1,300,000	8,694	-	1,308,694	5.31
Other liabilities	-	-	-	-	-	826,823	-	826,823	
Lease liabilities	1,166	1,775	9,315	35,841	277,462	-	-	325,559	5.70
Total liabilities	8,786,502	12,705,635	15,029,885	3,699,122	1,587,297	19,852,017	36,746	61,697,204	
On-balance sheet profit sensitivity gap	39,011,185	(11,891,497)	(13,141,178)	3,461,733	4,945,317	(17,646,679)	659,648	5,398,529	
Off-balance sheet profit sensitivity gap (profit rate swaps)	3,634,376	429,403	71,549	-	-	-	-	4,135,328	
Total profit sensitivity gap	42,645,561	(11,462,094)	(13,069,629)	3,461,733	4,945,317	(17,646,679)	659,648	9,533,857	

* *This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.*

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for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank 2020	Banking book: Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds and deposits and placements with financial institutions	4,490,732	-	-	-	-	725,548	-	5,216,280	1.38
Financial assets at FVTPL	-	-	-	-	-	-	1,175,440	1,175,440	2.35
Derivative financial assets	-	-	-	-	-	-	61,665	61,665	0.71
Financial assets at FVOCI	80,531	678,405	1,226,955	6,725,858	3,846,980	-	-	12,558,729	5.71
Financing, advances and others									
- non-impaired	50,683,675	442,090	42,052	1,030,556	2,282,468	744,521	-	55,225,362	4.72
- impaired net of allowances*	-	-	-	-	-	(554,727)	-	(554,727)	
Other financial assets at amortised cost	-	-	-	-	-	182,041	-	182,041	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	192,425	-	192,425	
Total assets	55,254,938	1,120,495	1,269,007	7,756,414	6,129,448	1,289,808	1,237,105	74,057,215	
Liabilities									
Deposits from customers	12,210,491	8,397,374	10,792,984	1,735,439	35,117	17,924,046	-	51,095,451	2.00
Investment accounts of customers	2,482,295	2,231,757	2,534,420	7,150	-	5,113,275	-	12,368,897	1.91
Derivative financial liabilities	-	-	-	-	-	-	105,872	105,872	1.23
Bills and acceptance payable	-	-	-	-	-	29,621	-	29,621	
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,187	-	1,501,187	4.74
Subordinated Sukuk Murabahah	-	-	-	-	1,700,000	13,164	-	1,713,164	4.69
Other liabilities	-	-	-	-	-	1,024,855	-	1,024,855	
Lease liabilities	1,409	2,267	9,760	33,686	265,307	-	-	312,429	5.70
Total liabilities	14,694,195	10,631,398	13,337,164	3,276,275	2,000,424	24,106,148	105,872	68,151,476	
On-balance sheet profit sensitivity gap	40,560,743	(9,510,903)	(12,068,157)	4,480,139	4,129,024	(22,816,340)	1,131,233	5,905,739	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	114,056	-	-	-	114,056	
Total profit sensitivity gap	40,560,743	(9,510,903)	(12,068,157)	4,594,195	4,129,024	(22,816,340)	1,131,233	6,019,795	

* *This is arrived at after impairment allowances from the outstanding gross impaired financing.*

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank 2019	Banking book: Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds and deposits and placements with financial institutions	2,650,438	-	-	-	-	821,071	-	3,471,509	2.53
Financial assets at FVTPL	-	-	-	-	-	-	657,443	657,443	3.97
Derivative financial assets	-	-	-	-	-	-	33,326	33,326	0.52
Financial assets at FVOCI	47,698	306,846	1,816,596	6,072,029	3,904,209	-	-	12,147,378	4.83
Financing, advances and others									
- non-impaired	45,100,289	507,292	71,763	1,088,826	2,628,405	394,393	-	49,790,968	5.67
- impaired net of allowances*	-	-	-	-	-	(318,446)	-	(318,446)	
Other financial assets at amortised cost	-	-	-	-	-	133,489	-	133,489	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,170,136	-	1,170,136	
Total assets	47,798,425	814,138	1,888,359	7,160,855	6,532,614	2,200,643	690,769	67,085,803	
Liabilities									
Deposits from customers	7,664,989	10,050,093	11,786,476	2,149,298	9,835	15,816,181	-	47,476,872	2.76
Investment accounts of customers	1,120,694	2,655,565	3,238,788	13,983	-	3,211,343	-	10,240,373	2.33
Derivative financial liabilities	-	-	-	-	-	-	36,746	36,746	0.57
Bills and acceptance payable	-	-	-	-	-	49,084	-	49,084	
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,187	-	1,501,187	4.75
Subordinated Sukuk Murabahah	-	-	-	-	1,300,000	8,694	-	1,308,694	5.31
Other liabilities	-	-	-	-	-	769,494	-	769,494	
Lease liabilities	1,166	1,775	9,315	35,841	277,462	-	-	325,559	5.70
Total liabilities	8,786,849	12,707,433	15,034,579	3,699,122	1,587,297	19,855,983	36,746	61,708,009	
On-balance sheet profit sensitivity gap	39,011,576	(11,893,295)	(13,146,220)	3,461,733	4,945,317	(17,655,340)	654,023	5,377,794	
Off-balance sheet profit sensitivity gap (profit rate swaps)	3,634,376	429,403	71,549	-	-	-	-	4,135,328	
Total profit sensitivity gap	42,645,952	(11,463,892)	(13,074,671)	3,461,733	4,945,317	(17,655,340)	654,023	9,513,122	

* *This is arrived at after deducting impairment allowances from the outstanding gross impaired financing.*

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Profit rate risk in the banking book portfolio

Profit rate risk in the banking book portfolio is managed and controlled using measurement tools known as Earnings at Risk ("EaR") and Economic Value of Equity ("EVE").

The Group and the Bank monitor the sensitivity of EaR and EVE under varying profit rate scenarios (i.e. simulation modeling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively manage and strategise to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Bank's hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Group's and the Bank's profit rate sensitivity to a 100 basis points parallel shift as at reporting date.

	2020		2019	
	-100bps	+100bps	-100bps	+100bps
	Increase/(Decrease)			
	RM million	RM million	RM million	RM million
Group				
Impact on EaR	**(131.4)**	**131.4**	(119.6)	119.6
Impact on EVE	**241.0**	**(241.0)**	226.1	(226.1)
Bank				
Impact on EaR	**(131.4)**	**131.4**	(119.4)	119.4
Impact on EVE	**240.9**	**(240.9)**	225.5	(225.5)

Another control to manage the profit rate risk in the banking book portfolio includes present value of 1 basis point change ("PV01") which measures the portfolio's sensitivity to market rates movement.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Market risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and controlled using Value-at-Risk ("VaR"). It is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates over a specified time horizon and to a given level of confidence. The VaR model used by the Group and the Bank are based on historical simulation which derives plausible future scenarios from past series of recorded market rates and prices. The historical simulation model used by the Group and the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank's trading book portfolios at the reporting date is as follows:

Bank	As at 31.12.2020 RM million	1.1.2020 to 31.12.2020 Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	**2.76**	**1.88**	**3.32**	**0.01**
Foreign exchange risk	**0.42**	**0.47**	**1.02**	**0.23**
Overall	**3.18**	**2.36**	**3.89**	**0.36**

Bank	As at 31.12.2019 RM million	1.1.2019 to 31.12.2019 Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	0.33	1.07	1.60	0.03
Foreign exchange risk	0.34	0.47	0.94	0.21
Overall	0.67	1.54	2.26	0.30

In addition to VaR, the Group and the Bank has put in place the maximum loss limits, position limits, tenor limits and PV01 limits in monitoring the trading book portfolio.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(iii) Foreign exchange risk

The Group and the Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. The Group and the Bank also has in place the sensitivity limit. For the Bank-wide (trading book and banking book portfolios) foreign exchange risk, the Group and the Bank manage and control by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

Assuming that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

Group and Bank	2020 -1% Depreciation RM'000	2020 +1% Appreciation RM'000	2019 -1% Depreciation RM'000	2019 +1% Appreciation RM'000
US Dollar	**8,844**	**(8,844)**	11,611	(11,611)
Euro	**5,072**	**(5,072)**	4,591	(4,591)
Others	**(194)**	**194**	(279)	279

(d) Liquidity risk

Overview

Liquidity risk is the potential inability of the Group and the Bank to meet its funding needs and regulatory obligation when they fall due, or will have to do it at excessive cost. This risk can arise from mismatches in the timing of cash flows.

The Group and the Bank maintains a diversified and stable funding base comprising of retail and corporate customer deposits. This is augmented by wholesale funding and highly liquid assets portfolios.

The objective of the Group's and the Bank's liquidity management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market remains accessible and cost effective.

Savings account, current account, investment accounts (IA) and term deposits form a critical part of the Group's and the Bank's funding profile and the Group and the Bank place considerable importance on maintaining their stability. The stability depends upon preserving depositor confidence in the Group and the Bank and the Group's and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Overview (continued)

The Group's and the Bank's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and the internal limits are approved by the ALCO and/or BRC. The limits vary to take account of the depth and liquidity of the local market in which the Group and the Bank operate. The Group and the Bank maintain a strong liquidity position and manage the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/or BRC, guided by the Board's approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the BRC for managing liquidity risk at strategic level.

Management of liquidity risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and other risk controls are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring cash flows are relatively diversified across all maturities;
- Ensuring deposit base is diversified and not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market;
- Maintain sufficient highly liquid financial assets;
- Not over-extending financing activities relative to the deposit base; and
- Not over-relying on non-Ringgit liabilities to fund Ringgit assets.

MRMD is also responsible for the implementation of liquidity risk management framework. It develops the Group's and the Bank's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC, with proper authorities to ratify or approve any excess. In addition, the liquidity risk exposures and limits are reported to the ALCO and the BRC.

Stress testing and scenario analysis are important tools used by the Group and the Bank to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group and the Bank.

Another key control feature of the Group's and the Bank's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on the actions to be taken in order to minimise the adverse implications to the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis

The table below summarises the Group's and the Bank's assets and liabilities based on remaining contractual maturities.

Group As at 31 December 2020	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	725,644	4,490,732	-	361	-	-	5,216,737
Financial assets at FVTPL	-	482,108	-	30,051	50,041	619,000	1,181,200
Derivative financial assets	-	25,579	26,773	6,915	227	2,171	61,665
Financial assets at FVOCI	-	79,793	678,405	395,567	831,388	10,572,838	12,557,991
Financing, advances and others	-	1,799,333	1,054,893	429,657	377,000	51,009,752	54,670,635
Other financial assets at amortised cost	192,574	-	-	-	-	-	192,574
Statutory deposits with Bank Negara Malaysia	192,425	-	-	-	-	-	192,425
Total assets	1,110,643	6,877,545	1,760,071	862,551	1,258,656	62,203,761	74,073,227
Liabilities							
Deposits from customers	17,914,224	12,210,156	8,395,068	5,830,244	4,957,014	1,770,556	51,077,262
Investment accounts of customers	5,113,275	2,482,295	2,231,737	1,913,851	620,569	6,801	12,368,528
Derivative financial liabilities	-	29,422	56,599	17,269	938	1,644	105,872
Bills and acceptance payable	29,621	-	-	-	-	-	29,621
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	1,501,187	1,501,187
Subordinated Sukuk Murabahah	-	-	3,904	9,260	-	1,700,000	1,713,164
Other liabilities	978,556	-	-	-	-	59,523	1,038,079
Lease liabilities	-	1,409	2,267	3,323	6,437	298,993	312,429
Total liabilities	24,035,676	14,723,282	10,689,575	7,773,947	5,584,958	5,338,704	68,146,142
Net liquidity gap on statement of financial position	(22,925,033)	(7,845,737)	(8,929,504)	(6,911,396)	(4,326,302)	56,865,057	5,927,085
Commitments and contingencies	-	5,593,261	4,554,283	2,271,427	4,929,870	2,840,655	20,189,496
Net liquidity gap	(22,925,033)	(13,438,998)	(13,483,787)	(9,182,823)	(9,256,172)	54,024,402	(14,262,411)

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the Group's and the Bank's assets and liabilities based on remaining contractual maturities. (continued)

Group As at 31 December 2019	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	821,600	2,650,438	–	348	–	–	3,472,386
Financial assets at FVTPL	–	239,130	149,760	30,227	–	243,951	663,068
Derivative financial assets	–	21,131	9,648	847	–	1,700	33,326
Financial assets at FVOCI	–	46,960	306,846	637,331	1,179,265	9,976,238	12,146,640
Financing, advances and others	–	1,656,360	2,048,159	625,811	285,044	44,857,148	49,472,522
Other financial assets at amortised cost	137,655	–	–	–	–	–	137,655
Statutory deposits with Bank Negara Malaysia	1,170,136	–	–	–	–	–	1,170,136
Total assets	2,129,391	4,614,019	2,514,413	1,294,564	1,464,309	55,079,037	67,095,733
Liabilities							
Deposits from customers	15,754,886	7,664,642	10,048,295	4,185,962	7,595,820	2,159,133	47,408,738
Investment accounts of customers	3,211,343	1,120,694	2,655,565	2,358,169	880,619	13,983	10,240,373
Derivative financial liabilities	–	6,802	16,640	12,402	83	819	36,746
Bills and acceptance payable	49,084	–	–	–	–	–	49,084
Recourse obligations on financing sold to Cagamas	–	–	–	–	–	1,501,187	1,501,187
Subordinated Sukuk Murabahah	–	–	–	8,694	–	1,300,000	1,308,694
Other liabilities	826,823	–	–	–	–	–	826,823
Lease liabilities	–	1,166	1,775	2,849	6,466	313,303	325,559
Total liabilities	19,842,136	8,793,304	12,722,275	6,568,076	8,482,988	5,288,425	61,697,204
Net liquidity gap on statement of financial position	(17,712,745)	(4,179,285)	(10,207,862)	(5,273,512)	(7,018,679)	49,790,612	5,398,529
Commitments and contingencies	–	5,599,469	3,048,462	1,775,866	2,884,732	4,105,652	17,414,181
Net liquidity gap	(17,712,745)	(9,778,754)	(13,256,324)	(7,049,378)	(9,903,411)	45,684,960	(12,015,652)

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank As at 31 December 2020	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	725,548	4,490,732	-	-	-	-	5,216,280
Financial assets at FVTPL	-	476,348	-	30,051	50,041	619,000	1,175,440
Derivative financial assets	-	25,579	26,773	6,915	227	2,171	61,665
Financial assets at FVOCI	-	80,531	678,405	395,567	831,388	10,572,838	12,558,729
Financing, advances and others	-	1,799,333	1,054,893	429,657	377,000	51,009,752	54,670,635
Other financial assets at amortised cost	182,041	-	-	-	-	-	182,041
Statutory deposits with Bank Negara Malaysia	192,425	-	-	-	-	-	192,425
Total assets	1,100,014	6,872,523	1,760,071	862,190	1,258,656	62,203,761	74,057,215
Liabilities							
Deposits from customers	17,924,046	12,210,491	8,397,374	5,832,265	4,960,719	1,770,556	51,095,451
Investment accounts of customers	5,113,275	2,482,295	2,231,757	1,913,851	620,569	7,150	12,368,897
Derivative financial liabilities	-	29,422	56,599	17,269	938	1,644	105,872
Bills and acceptance payable	29,621	-	-	-	-	-	29,621
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	1,501,187	1,501,187
Subordinated Sukuk Murabahah	-	-	3,904	9,260	-	1,700,000	1,713,164
Other liabilities	965,332	-	-	-	-	59,523	1,024,855
Lease liabilities	-	1,409	2,267	3,323	6,437	298,993	312,429
Total liabilities	24,032,274	14,723,617	10,691,901	7,775,968	5,588,663	5,339,053	68,151,476
Net liquidity gap on statement of financial position	(22,932,260)	(7,851,094)	(8,931,830)	(6,913,778)	(4,330,007)	56,864,708	5,905,739
Commitments and contingencies	-	5,593,261	4,554,283	2,271,427	4,929,870	2,840,655	20,189,496
Net liquidity gap	(22,932,260)	(13,444,355)	(13,486,113)	(9,185,205)	(9,259,877)	54,024,053	(14,283,757)

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank **As at 31 December 2019**	**On demand RM'000**	**Up to 1 month RM'000**	**>1 to 3 months RM'000**	**>3 to 6 months RM'000**	**>6 to 12 months RM'000**	**Over 1 year RM'000**	**Total RM'000**
Assets							
Cash and short-term funds and deposits and placements with financial institutions	821,071	2,650,438	–	–	–	–	3,471,509
Financial assets at FVTPL	–	233,505	149,760	30,227	–	243,951	657,443
Derivative financial assets	–	21,131	9,648	847	–	1,700	33,326
Financial assets at FVOCI	–	47,698	306,846	637,331	1,179,265	9,976,238	12,147,378
Financing, advances and others	–	1,656,360	2,048,159	625,811	285,044	44,857,148	49,472,522
Other financial assets at amortised cost	133,489	–	–	–	–	–	133,489
Statutory deposits with Bank Negara Malaysia	1,170,136	–	–	–	–	–	1,170,136
Total assets	2,124,696	4,609,132	2,514,413	1,294,216	1,464,309	55,079,037	67,085,803
Liabilities							
Deposits from customers	15,816,181	7,664,989	10,050,093	4,188,251	7,598,225	2,159,133	47,476,872
Investment accounts of customers	3,211,343	1,120,694	2,655,565	2,358,169	880,619	13,983	10,240,373
Derivative financial liabilities	–	6,802	16,640	12,402	83	819	36,746
Bills and acceptance payable	49,084	–	–	–	–	–	49,084
Recourse obligations on financing sold to Cagamas	–	–	–	–	–	1,501,187	1,501,187
Subordinated Sukuk Murabahah	–	–	–	8,694	–	1,300,000	1,308,694
Other liabilities	769,494	–	–	–	–	–	769,494
Lease liabilities	–	1,166	1,775	2,849	6,466	313,303	325,559
Total liabilities	19,846,102	8,793,651	12,724,073	6,570,365	8,485,393	5,288,425	61,708,009
Net liquidity gap on statement of financial position	(17,721,406)	(4,184,519)	(10,209,660)	(5,276,149)	(7,021,084)	49,790,612	5,377,794
Commitments and contingencies	–	5,599,469	3,048,462	1,775,866	2,884,732	4,105,652	17,414,181
Net liquidity gap	(17,721,406)	(9,783,988)	(13,258,122)	(7,052,015)	(9,905,816)	45,684,960	(12,036,387)

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows:

Bank As at 31 December 2020	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	30,022,422	8,429,037	5,879,065	5,061,386	1,919,877	51,311,787
Investment accounts of customers	7,610,826	2,240,679	1,930,504	630,355	7,427	12,419,791
Derivative financial liabilities	256	2,183	7,528	30,583	349,233	389,783
Forward contract	*11*	–	–	–	–	*11*
Islamic Profit Rate Swap	*245*	*2,183*	*7,528*	*30,583*	*349,233*	*389,772*
Bills and acceptance payable	29,621	–	–	–	–	29,621
Recourse obligations on financing sold to Cagamas	5,913	11,826	17,739	35,478	1,600,520	1,671,476
Subordinated Sukuk Murabahah	–	7,356	27,700	35,834	2,253,966	2,324,856
Other liabilities	1,094,136	–	–	–	59,523	1,153,659
Lease liabilities	2,568	5,135	7,607	14,891	446,908	477,109
	38,765,742	10,696,216	7,870,143	5,808,527	6,637,454	69,778,082
Commitments and Contingencies						
Direct credit substitutes	33,126	27,503	59,186	86,857	243,675	450,347
Transaction related contingent items	57,950	45,608	73,025	250,072	472,045	898,700
Short-term self liquidating trade relate contingencies	44,964	81,656	22,385	2,500	441,239	592,744
	136,040	154,767	154,596	339,429	1,156,959	1,941,791

There is no disclosure for the Group as the Group's figures are not materially different from the Bank's figures.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank As at 31 December 2019	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	23,378,991	10,115,669	4,248,065	7,833,915	2,386,490	47,963,130
Investment accounts of customers	4,335,416	2,637,953	2,165,791	1,153,574	36,508	10,329,242
Derivative financial liabilities	5,529	20,360	19,987	30,779	644,638	721,293
Forward contract	*5,284*	*18,158*	*12,402*	*83*	*–*	*35,927*
Islamic Profit Rate Swap	*245*	*2,202*	*7,585*	*30,696*	*644,638*	*685,366*
Bills and acceptance payable	49,084	–	–	–	–	49,084
Recourse obligations on financing sold to Cagamas	5,929	11,856	17,784	35,569	1,671,916	1,743,054
Subordinated Sukuk Murabahah	–	–	34,921	35,235	1,717,989	1,788,145
Other liabilities	948,847	–	–	–	–	948,847
Lease liabilities	2,394	4,790	7,343	15,335	478,728	508,590
	28,726,190	12,790,628	6,493,891	9,104,407	6,936,269	64,051,385
Commitments and Contingencies						
Direct credit substitutes	36,654	30,479	39,169	162,127	148,307	416,736
Transaction related contingent items	60,057	72,340	58,978	353,079	385,558	930,012
Short-term self liquidating trade relate contingencies	40,750	50,118	1,998	2,500	508,372	603,738
	137,461	152,937	100,145	517,706	1,042,237	1,950,486

There is no disclosure for the Group as the Group's figures are not materially different from the Bank's figures.

(e) Operational Risk

Overview

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk.

Management of operational risk

The Group and the Bank recognises and emphasises the importance of operational risk management ("ORM") and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational Risk (continued)

Management of operational risk (continued)

The Group's and the Bank's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

- **1st line of defence** – The risk owner or risk taking unit i.e. Business or Support Unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. To reinforce accountability and ownership of risk and control, a Risk Controller for each risk taking unit is appointed to assist in driving the risk and control programme for the Group and the Bank.

  In addition, an Embedded Risk & Compliance Unit ("ERU") has been established within the significant business and support units ("BU/SU"). The ERU would assist in implementing and monitoring the ORM activities within the BU/SU. The ERU's relationship and knowledge of the business allow for a more focused implementation and effective oversight of ORM within the BU/SU.

- **2nd line of defence** – Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Framework, developing various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, assessing operational risk issues from the risk owner and escalating the issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group and the Bank.

  Shariah Risk Management Department ("SRM"), Compliance Division and Chief Information Security Officer ("CISO") Office complement the role of ORMD as the second line of defence. SRM is responsible for managing the Shariah compliance risk ("SCR") by establishing and maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling and monitoring SCR and promoting SCR awareness.

  Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and develops, reviews and enhances compliance-related training programmes as well as conducts training that promotes awareness creation.

  CISO Office is responsible in managing technology risk by establishing, maintaining and enforcing technology risk policies and guidelines, as well as promoting Bank-wide awareness on technology risk. It also works closely with Information Technology Division ("ITD") in identifying, assessing, mitigating and monitoring of technology risk in the Group and the Bank.

- **3rd line of defence** – Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices where available, are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

Fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7, *Financial Instruments: Disclosure and Presentation* which requires the fair value information to be disclosed.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with banks and other financial institutions

For deposits and placements with financial instruments with maturities of less than six (6) months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six (6) months and above, the estimated fair values are based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining period to maturity.

Financial assets measured at FVTPL and FVOCI

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

The fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities. The fair values are represented by their carrying value, net of impairment loss, being the recoverable amount.

Deposits from customers and investment accounts of customers

The fair values of deposits and investment accounts are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six (6) months approximate the carrying values. For deposits and placements with maturities of six (6) months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

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40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bills and acceptance payable

The estimated fair values of bills and acceptance payables with maturity of less than six (6) months approximate their carrying values. For bills and acceptance payable with maturities of six (6) months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profiles.

Fair value hierarchy

MFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- **Level 1** – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.

- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rate swaps and structured debt. The sources of input parameters include BNM indicative yields or counterparty credit risk.

- **Level 3** – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The table does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Group 31 December 2020	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets							
Financial assets at FVTPL	**-**	**1,181,200**	**-**	**1,181,200**	**-**	**1,181,200**	**1,181,200**
Derivative financial assets	**-**	**61,665**	**-**	**61,665**	**-**	**61,665**	**61,665**
Financial assets at FVOCI	**13,755**	**12,494,040**	**50,196**	**12,557,991**	**-**	**12,557,991**	**12,557,991**
Financing, advances and others	**-**	**-**	**-**	**-**	**58,065,344**	**58,065,344**	**54,670,635**
Financial liabilities							
Derivative financial liabilities	**-**	**105,872**	**-**	**105,872**	**-**	**105,872**	**105,872**
Recourse obligations on financing sold to Cagamas	**-**	**-**	**-**	**-**	**1,577,805**	**1,577,805**	**1,501,187**
Subordinated Sukuk Murabahah	**-**	**-**	**-**	**-**	**1,730,236**	**1,730,236**	**1,713,164**

Group 31 December 2019	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets							
Financial assets at FVTPL	-	663,068	-	663,068	-	663,068	663,068
Derivative financial assets	-	33,326	-	33,326	-	33,326	33,326
Financial assets at FVOCI	8,978	12,099,681	37,981	12,146,640	-	12,146,640	12,146,640
Financing, advances and others	-	-	-	-	52,407,186	52,407,186	49,472,522
Financial liabilities							
Derivative financial liabilities	-	36,746	-	36,746	-	36,746	36,746
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,553,085	1,553,085	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,334,189	1,334,189	1,308,694

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Bank 31 December 2020	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets							
Financial assets at FVTPL	**-**	**1,175,440**	**-**	**1,175,440**	**-**	**1,175,440**	**1,175,440**
Derivative financial assets	**-**	**61,665**	**-**	**61,665**	**-**	**61,665**	**61,665**
Financial assets at FVOCI	**13,755**	**12,494,040**	**50,934**	**12,558,729**	**-**	**12,558,729**	**12,558,729**
Financing, advances and others	**-**	**-**	**-**	**-**	**58,065,344**	**58,065,344**	**54,670,635**
Financial liabilities							
Derivative financial liabilities	**-**	**105,872**	**-**	**105,872**	**-**	**105,872**	**105,872**
Recourse obligations on financing sold to Cagamas	**-**	**-**	**-**	**-**	**1,577,805**	**1,577,805**	**1,501,187**
Subordinated Sukuk Murabahah	**-**	**-**	**-**	**-**	**1,730,236**	**1,730,236**	**1,713,164**

Bank 31 December 2019	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets							
Financial assets at FVTPL	-	657,443	-	657,443	-	657,443	657,443
Derivative financial assets	-	33,326	-	33,326	-	33,326	33,326
Financial assets at FVOCI	8,978	12,099,681	38,719	12,147,378	-	12,147,378	12,147,378
Financing, advances and others	-	-	-	-	52,407,186	52,407,186	49,472,522
Financial liabilities							
Derivative financial liabilities	-	36,746	-	36,746	-	36,746	36,746
Recourse obligations on financing sold to Cagamas	-	-	-	-	1,553,085	1,553,085	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,334,189	1,334,189	1,308,694

40. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Unobservable inputs used in measuring fair value

The following tables show the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at FVOCI	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

(b) Financial instruments not carried at fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Other financial assets at amortised cost

The fair values of securities that are actively traded is determined by quoted mid prices. For non-actively traded securities, the fair values are valued at cost less impairment or estimated using discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Financing and advances

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Subordinated Sukuk Murabahah and Recourse obligations on financing sold to Cagamas

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risk profiles.

41. CAPITAL COMMITMENTS

	Group and Bank	
	2020 RM'000	2019 RM'000
Property and equipment		
Contracted but not provided for in the financial statements	**149,391**	105,226

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42. COMMITMENTS AND CONTINGENCIES

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows:

31 December 2020

Nature of item	Principal Amount RM'000		Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit related exposures				
Direct credit substitutes	449,506		449,506	442,426
Transaction related contingent items	899,541		449,770	436,481
Short-term self-liquidating trade related contingencies	592,744		118,549	117,165
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	938,247		469,124	362,317
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	8,676,980		–	–
	11,557,018		1,486,949	1,358,389

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Derivative Financial Instruments				
Foreign exchange related contracts				
– less than one year	8,518,422	59,494	143,217	60,587
Profit rate related contracts				
– one year to less than five years	114,056	2,171	5,414	4,045
	8,632,478	61,665	148,631	64,632
Total	20,189,496	61,665	1,635,580	1,423,021

42. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows (continued):

31 December 2019

Nature of item	Principal Amount RM'000		Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit related exposures				
Direct credit substitutes	416,059		416,059	413,653
Transaction related contingent items	930,689		465,344	442,978
Short-term self-liquidating trade related contingencies	603,739		120,748	120,588
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	1,168,133		584,067	433,070
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,892,943		–	–
	11,011,563		1,586,218	1,410,289

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Derivative Financial Instruments				
Foreign exchange related contracts				
– less than one year	6,255,520	31,626	72,532	38,011
Profit rate related contracts				
– one year to less than five years	147,098	1,700	7,240	4,886
	6,402,618	33,326	79,772	42,897
Total	17,414,181	33,326	1,665,990	1,453,186

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for the financial year ended 31 December 2020

43. CAPITAL ADEQUACY

Total capital and capital adequacy ratios of the Bank have been computed based on Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 3 May 2019. The Bank is required to meet minimum Common Equity Tier I ("CET I"), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively in 2020. To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer ("CCB") of 2.5% above the minimum capital adequacy was introduced by BNM. The CCB is maintained in the form of CET I capital at 2.5% starting 1 January 2019 onwards.

Therefore, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 7.0%, 8.5% and 10.5% respectively starting year 2019 onwards. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

Similar to Note 2.1(a)(iv), BNM has issued a memo on "Additional Measures to Assists Customers Affected by COVID-19 Outbreak" which specifies (amongst others):

i. Drawdown of CCB of 2.5%; and

ii. Reduction in regulatory reserves held against expected losses to 0%.

As a result, the minimum CET I capital ratio, Tier I capital ratio and Total Capital Ratio for the year ended 2020 are revised to 4.5%, 6.0% and 8.0% respectively (i.e. without CCB). However BNM requires financial institutions to restore the minimum regulatory requirements by 30 September 2021.

The capital adequacy ratios of the Group and the Bank are set out below:

	Group		Bank	
	2020	2019	2020	2019
Common Equity Tier I ("CET I") Capital Ratio	**14.667%**	14.215%	**14.642%**	14.185%
Total Capital Ratio	**19.822%**	18.661%	**19.804%**	18.637%

43. CAPITAL ADEQUACY (CONTINUED)

The components of CET I, Tier I and Tier II capital:

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Paid-up share capital	**3,306,118**	3,012,368	**3,306,118**	3,012,368
Retained earnings	**2,891,023**	2,594,820	**2,884,760**	2,589,798
Other reserves	**88,558**	107,265	**88,707**	107,398
Less:				
Deferred tax assets	**(1,511)**	(33,774)	**–**	(32,268)
Gain on financial instruments classified as FVOCI	**(103,564)**	(104,062)	**(103,564)**	(104,062)
Regulatory reserve	**–**	(25,000)	**–**	(25,000)
Investment in subsidiaries	**–**	–	**(15,525)**	(15,525)
Total CET I and Tier I Capital	**6,180,624**	5,551,617	**6,160,496**	5,532,709
Sukuk Murabahah	**1,700,000**	1,300,000	**1,700,000**	1,300,000
Loss provisions ^	**472,256**	436,544	**472,005**	436,356
Total Tier II Capital	**2,172,256**	1,736,544	**2,172,005**	1,736,356
Total Capital	**8,352,880**	7,288,161	**8,332,501**	7,269,065

^ *Impairment allowances on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets less credit absorbed by unrestricted investment accounts.*

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

	Group		Bank	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Credit risk	**46,862,577**	42,551,894	**46,842,825**	42,536,846
Less: Credit risk absorbed by unrestricted investment accounts	**(9,082,114)**	(7,628,353)	**(9,082,416)**	(7,628,353)
	37,780,463	34,923,541	**37,760,409**	34,908,493
Market risk	**638,925**	580,444	**638,925**	580,444
Operational risk	**3,719,636**	3,551,083	**3,675,867**	3,514,162
	42,139,024	39,055,068	**42,075,201**	39,003,099

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

44. RELATED PARTY TRANSACTIONS

Identity of related parties

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

The Group has a related party relationship with its subsidiaries (see Note 13), holding company and substantial shareholders of the holding company.

Related party transactions have been entered into in the normal course of business under normal trade terms.

(a) The related party transactions of the Bank, other than key management personnel compensation, are as follows:

	Bank Transaction amounts for	
	2020 RM'000	**2019 RM'000**
Ultimate holding entity		
Income		
Wakalah fee	**576**	446
Office rental	**66**	64
Fees and commission	**-**	38
Expenses		
Income attributable to depositors	**51,173**	42,828
Income attributable to investment account holders	**8,823**	843
Finance cost on Subordinated Sukuk Murabahah	**2,348**	5,750
Office rental	**1,252**	1,229
Depreciation of right-of-use assets	**13,193**	13,193
Profit expense on lease	**17,501**	17,856
Other rental	**383**	496
Holding company		
Income		
Office rental	**1,038**	1,029
Others	**129**	147
Expenses		
Income attributable to depositors	**7**	4
Income attributable to investment account holders	**9,340**	9,614
Office rental	**23**	-

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The related party transactions of the Bank, other than key management personnel compensation, are as follows (continued):

	Bank Transaction amounts for	
	2020 RM'000	**2019 RM'000**
Subsidiaries		
Income		
Fees and commission	**4,602**	5,575
Office rental	**382**	365
Others	**75**	70
Expenses		
Fees and commission	**7,365**	8,311
Income attributable to depositors	**220**	275
Income attributable to investment account holders	**1**	–
Other related companies		
Income		
Income from financing, advances and others	**239**	363
Fees and commission income	**203**	210
Bancatakaful service fee	**25,551**	28,862
Others	**1,970**	1,683
Expenses		
Income attributable to depositors	**22,111**	17,623
Income attributable to investment account holders	**908**	1,205
Finance cost on Subordinated Sukuk Murabahah	**2,637**	2,750
Office rental	**3,109**	3,414
Other rental	**12**	12
Takaful fee	**6,419**	8,490
Co-operative society in which the employees have interest		
Income		
Income from financing, advances and others	**2,897**	2,867
Expenses		
Income attributable to depositors	**4**	5
Income attributable investment account holders	**17**	–
Other rental	**–**	8
Others	**95**	177

The inter-company charges of the Group and the Bank with related parties were mainly transacted in Central region.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The outstanding balances of the Bank with related parties, are as follows:

	Bank 2020 RM'000	Bank 2019 RM'000
Ultimate holding entity		
Amount due from		
Other receivables	**23**	23
Amount due to		
Deposits from customers	**3,409,339**	1,818,541
Investment account of customers	**200,000**	500,000
Income payable to depositors	**14,656**	12,938
Income payable to investment account holders	**1,405**	843
Subordinated Sukuk Murabahah	**85,000**	100,000
Finance cost payable on Subordinated Sukuk Murabahah	**604**	1,118
Commitments and contingencies	**2,880**	3,183
Other payables	**136**	–
Holding company		
Amount due from		
Other receivables	**1**	11
Amount due to		
Deposits from customers	**315**	2,101
Investment account of customers	**317,269**	410,228
Income payable to investment account holders	**729**	4,288
Other payables	**132**	205
Subsidiaries		
Amount due from		
Redeemable non-cumulative preference shares	**2,292**	2,292
Others	**72**	46
Amount due to		
Deposits from customers	**17,306**	67,584
Investment account of customers	**369**	–
Income payable to investment account holders	**1**	–
Income payable to depositors	**97**	131
Other payables	**12**	10

44. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The outstanding balances of the Bank with related parties, are as follows (continued):

	Bank	
	2020 RM'000	2019 RM'000
Other related companies		
Amount due from		
Financing, advances and others	**–**	2,928
Other receivables	**150**	99
Amount due to		
Deposits from customers	**719,894**	883,827
Investment account of customers	**51,122**	38,342
Income payable to depositors	**5,603**	6,265
Income payable to investment account holders	**44**	34
Subordinated Sukuk Murabahah	**–**	50,000
Finance cost payable on Subordinated Sukuk Murabahah	**–**	121
Commitments and contingencies	**16,570**	17,193
Co-operative society in which the employees have interest		
Amount due from		
Financing, advances and others	**62,568**	64,812
Amount due to		
Deposits from customers	**119**	817
Investment account of customers	**569**	–
Income payable to depositors	**1**	1
Income payable to investment account holders	**4**	–

Significant other related companies of the Bank are as below:

Relationship	Parties
Syarikat Takaful Malaysia Berhad	Subsidiary company of holding company
Express Rail Link Sdn Bhd	Associate company of ultimate holding company

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

45. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group and Bank	
	2020 RM'000	2019 RM'000
Outstanding credit exposures with connected parties	**2,411,078**	1,597,633
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**3.73%**	3.18%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.000%**	0.000%

The above disclosure on Credit Transaction and Exposures with Connected Parties is presented in accordance with Para 9.1 of Bank Negara Malaysia's Revised Guidelines on Credit Transaction and Exposures with Connected Parties.

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

COVID-19 pandemic

The World Health Organisation declared the outbreak of Coronavirus disease (COVID-19) as a global pandemic in March 2020. The direct and indirect effects of the COVID-19 outbreak have impacted the global economy, markets and the Group's and the Bank's counterparties and clients.

The COVID-19 effects have a material negative impact on the Group's and the Bank's results of operations. In particular, the process to determine expected credit losses ("ECL") requires numerous estimates and assumptions, some of which require a high degree of judgement. Changes in the estimates and assumptions can result in significant changes in ECL. The Group and the Bank are not able to predict the COVID-19's potential future direct or indirect effects other than as disclosed in Note 39(b)(iii). However, the Group and the Bank are taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

Proposed placement, proposed scheme of arrangement ("SOA"), proposed internal reorganisation, proposed distribution and capital repayment and proposed transfer of listing status (collectively referred to as the 'Proposals')

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

On 11 December 2019, the immediate holding, BIMB Holdings Berhad ("BHB") had announced and proposed to undertake the following proposals:

(i) Proposed placement

Proposed placement of new ordinary shares in BHB to raise gross proceeds of up to RM800 million. The proceeds together with internal cash will be used to fully settle BHB's outstanding sukuk.

(ii) Proposed scheme of arrangement

Proposed payment to the warrantholder of the outstanding warrants 2013/2023 of BHB by way of a scheme of arrangement under section 366 of the Companies Act 2016 ("the Act"). The total warrants consideration to be paid by BHB will be funded using internally generated funds of BHB.

(iii) Proposed Internal Reorganisation

The proposed internal reorganisation entails the disposal of BHB's entire shareholdings in the identified subsidiaries namely BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al Ijarah Sdn. Bhd. to the Bank to be fully settled in cash.

(iv) Proposed distribution and capital repayment

Proposed distribution of the entire shareholdings of BHB in the Bank and Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") by way of distribution-in-specie via a reduction and repayment of the entire share capital of BHB in accordance with Section 115 and Section 116 of the Act as well as using the retained earnings of BHB.

Prior to the proposed distribution and capital repayment, BHB will undergo a capital reduction and the Bank will undertake a share consolidation. This is to match BHB's outstanding shares so that the distribution of the Bank shares will be on a one-for-one basis.

Concurrently with the completion of the proposed distribution and capital repayment, BHB will issue two (2) new BHB shares to the Bank such that BHB will become a wholly-owned subsidiary of Bank Islam.

(v) Proposed transfer of listing

After the completion of the proposed distribution and capital repayment, the Bank will assume the listing status of BHB. Accordingly, BHB proposed that the Bank be admitted to the official list of Bursa Securities in place of BHB, with the listing and quotation of the entire consolidated the Bank shares on the main market of Bursa Securities.

The Bank will emerge as the first pure-play full-fledged Islamic financial institution to be listed in the region and enhance its corporate stature. The listing will allows Bank Islam to better position itself in the Islamic finance and Islamic capital market and capitalise on the growth of both markets in its efforts to expand its customer base.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2020

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

The proposed placement, proposed SOA, proposed internal reorganisation, proposed distribution and capital repayment and proposed transfer of listing are not conditional upon each other, save for the following:

(i) The proposed distribution and capital repayment is conditional upon the proposed internal reorganisation and proposed transfer of listing; and

(ii) The proposed transfer of listing is conditional upon the proposed internal reorganisation and proposed distribution and capital repayment.

BHB has on 10 December 2020 announced that it has received the approval from the Minister of Finance (on the recommendation of BNM), and BNM in relation to the Proposals.

The Proposals are now subject to the approvals and/or consent being obtained from Securities Commission Malaysia ("SC"), Bursa Malaysia Securities Berhad ("Bursa Securities"), shareholders of BHB at an extraordinary general meeting to be convened, shareholder of the Bank, warrantholders at the court-convened meeting, sanction of the High Court of Malaya, the creditors and/or financiers of the BHB Group, the Bank and Identified Subsidiaries, if required and any other relevant regulatory authorities and/or parties, if required.

47. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 13 January 2021, the Government of Malaysia reintroduced the movement control order to curb the soaring number of COVID-19 cases. The lock down may have a negative impact on the Group's and Bank's results of operation, similar to the areas highlighted in Significant Event During the Financial Year. The Group and the Bank are not able to predict the potential future direct or indirect effects resulted from the movement control order other than as disclosed in Note 39(b)(iii). However, the Group and the Bank are taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

PILLAR 3 DISCLOSURE
as at December 2020

OVERVIEW

The Pillar 3 Disclosure for financial year ended 31 December 2020 for Bank Islam Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") describes the risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements governed by Bank Negara Malaysia's ("BNM") "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3")".

The Group adopts the following approaches in determining the capital requirements of Pillar 1 in accordance with BNM's Guidelines on CAFIB (Basel II – Risk Weighted Assets ("RWA")) since January 2008:

- Credit and Market Risk – the Standardised Approach ("SA"); and
- Operational Risk – the Basic Indicator Approach ("BIA").

Under the Standardised Approach, standard risk weights are used to assess the capital requirements whilst under the Basic Indicator Approach, the capital requirements are computed based on a fixed percentage over the Group's average gross income for a fixed number of quarterly periods.

As required under Pillar 2, the Group has also developed an Internal Capital Adequacy Assessment Process ("ICAAP") framework which closely integrates the risk and capital assessment processes, and ensures that adequate levels of capital are maintained to support the Group's current and projected demand for capital under expected and stressed conditions. The ICAAP was adopted in 2012 and was fully implemented in 2013. The ICAAP is updated and approved on an annual basis by the Management Committee, Board Risk Committee ("BRC") and Board of Directors ("Board").

BASIS OF DISCLOSURE

The Pillar 3 Disclosure is prepared in accordance with BNM's Pillar 3 Disclosure Guidelines issued in July 2010 and the Group's internal policy on Pillar 3 Disclosure; which aims to enhance transparency on the risk management practices and capital adequacy of the Bank and the Group. The disclosures include both qualitative and quantitative disclosures with respect to capital adequacy, credit risk, market risk, liquidity risk, operational risk, management of Investment Account (IA) and key aspects of Shariah governance.

Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Full-Year Financial Statements 2020 published by the Group.

These disclosures have been reviewed and verified by the Group Internal Auditor and attested by the Chief Executive Officer.

MEDIUM AND LOCATION OF DISCLOSURE

The Group's Pillar 3 Disclosure is made available at **www.bankislam.com.**

PILLAR 3 DISCLOSURE
as at 31 December 2020

MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Group's main activity is Islamic banking business which focuses on retail banking and financing operations. The following tables show the minimum regulatory capital requirement to support the Group's and the Bank's risk weighted assets.

	31.12.2020		31.12.2019	
Group	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000
Credit Risk	**46,862,577**	**3,749,006**	42,551,894	3,404,152
Less: Credit Risk absorbed by IA	**(9,082,114)**	**(726,569)**	(7,628,353)	(610,268)
Market Risk	**638,925**	**51,114**	580,444	46,436
Operational Risk	**3,719,636**	**297,571**	3,551,083	284,087
Total	**42,139,024**	**3,371,122**	**39,055,068**	**3,124,407**

	31.12.2020		31.12.2019	
Bank	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000
Credit Risk	**46,842,825**	**3,747,426**	42,536,846	3,402,948
Less: Credit Risk absorbed by IA	**(9,082,416)**	**(726,593)**	(7,628,353)	(610,268)
Market Risk	**638,925**	**51,114**	580,444	46,436
Operational Risk	**3,675,867**	**294,069**	3,514,162	281,133
Total	**42,075,201**	**3,366,016**	**39,003,099**	**3,120,249**

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's CAFIB (Risk-Weighted Assets) Guideline.

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

2. CAPITAL ADEQUACY

2.1 Capital Management

The Group's primary objectives when managing capital are to maintain a strong capital position to support business growth and to maintain investors, depositors, customers, and market confidence. In line with this, the Group manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Group, are above the regulatory minimum requirement.

To ensure that the Group has sufficient capital to support all its business and risk-taking activities, the Group has implemented a sound capital management process in its management systems and processes. A comprehensive capital management framework has been adopted by the Group as a key enabler for value creation which is important to the long-term survival of the Group. This comprehensive capital management process includes thorough risk assessment and risk management techniques that are embedded within the Group's risk governance.

The assessment is based on the approved business plan, its estimation of current risks inherent in the Group and the impact of capital stress tests on the Group's capital plan. The Group aims to achieve the following capital management objectives:

- Meeting regulatory capital requirements;
- Optimising returns to shareholders;
- Maintaining adequate levels and an optimum mix of different sources of capital to support the underlying risks of its business;
- Ensuring adequate capital to withstand shocks and stress;
- Ensuring sufficient capital to expand its business ventures and inorganic growth; and
- Allocating an appropriate amount of capital to business units to optimise return on capital.

The Group's capital management is guided by the Capital Management Plan, approved by the Board, to ensure the management of capital is consistent and aligned with the Group's Risk Appetite Statement and ICAAP Document Policy.

The Group's capital management processes comprise:

- Capital Structuring – ensuring that the amount of regulatory and statutory capital available is consistent with the Group's growth plan, risk appetite, and desired level of capital adequacy. Capital structuring focuses on selecting appropriate, most cost-effective mix of capital instruments;
- Capital Allocation – ensuring that the capital is employed efficiently across the Group based on risk-adjusted return on capital; and
- Capital Optimisation – seeking an optimal level of capital by facilitating the optimisation of the risk profile of the balance sheet. This will be done through:
- reshaping of the balance sheet;
- capital planning, allocation and optimisation; and
- a sound management of the capital buffer.

As such, the four fundamental components of a sound capital planning process include:

- Internal control and governance;
- Capital policy and risk capture;
- Forward-looking view; and
- Management framework for preserving capital.

PILLAR 3 DISCLOSURE

as at 31 December 2020

2. CAPITAL ADEQUACY (CONTINUED)

2.1 Capital Management (continued)

The Group's Capital Management Plan is updated annually and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, capital benchmarking against the industry, available supply of capital and capital raising options, performance of business sectors based on a Risk Adjusted Return on Capital ("RAROC") approach as well as ICAAP and stress testing results.

The Group has fully issued Subordinated Sukuk Murabahah under its Subordinated Sukuk Murabahah Programme of up to RM1.0 billion in nominal value ("Subordinated Sukuk Murabahah Programme") which was approved by the Securities Commission Malaysia ("SC") on 7 October 2014. On 6 September 2018, the Group successfully lodged with SC under Lodge and Launch Framework a new Sukuk Murabahah Programme of up to RM10.0 billion in nominal value, which allows issuances of Subordinated Sukuk Murabahah and Senior Sukuk Murabahah. The purpose of the Subordinated Sukuk Murabahah issuance under both programmes is to enhance the capital adequacy of the Group in line with the requirements under the Basel III capital framework. Table below depicts a summary of the Subordinated Sukuk Murabahah under both programmes which are qualified as Tier 2 regulatory capital of the Bank and the Group in accordance with BNM's CAFIB (Capital Components) Guideline.

Capital Instrument	Capital Component	Main Features
1) Subordinated Sukuk Murabahah Programme of up to RM1.0 billion (Programme 1)		
a) Tranche 1: RM300 million at 5.75% • Issued on 22 April 2015 • Mature on 22 April 2025 Note: Tranche 1 was called on 22 April 2020 b) Tranche 2: RM400 million at 5.50% • Issued on 15 December 2015 • Mature on 15 December 2025 Note: Tranche 2 was called on 15 December 2020 c) Tranche 3: RM300 million at 5.08% • Issued on 13 November 2017 • Mature on 12 November 2027	Tier 2 Capital	• The tenure of both programmes are as follows: i. Programme 1 – up to thirty (30) years from the date of the first issue under the Subordinated Sukuk Murabahah Programme. ii. Programme 2 – perpetual. • The tenure of each issuance of the Subordinated Sukuk Murabahah under both programmes are as follows: i. Programme 1 – shall be not less than five (5) years and up to thirty (30) years from the issue date and provided that the Subordinated Sukuk Murabahah matures on or prior to the expiry of the tenure of the Subordinated Sukuk Murabahah Programme. ii. Programme 2 – shall be not less than five (5) years from the issue date.

2. CAPITAL ADEQUACY (CONTINUED)

2.1 Capital Management (continued)

Capital Instrument	Capital Component	Main Features
2) Sukuk Murabahah Programme of up to RM10.0 billion (Programme 2)		
a) Tranche 1: RM300 million at 5.15% • Type: Subordinated Sukuk Murabahah • Issued on 7 November 2018 • Mature on 7 November 2028 b) Tranche 2: RM400 million at 3.75% • Type: Subordinated Sukuk Murabahah • Issued on 26 March 2020 • Mature on 26 March 2030 c) RM700 million at 3.60% • Type: Subordinated Sukuk Murabahah • Issued on 21 October 2020 • Mature on 21 October 2030	Tier 2 Capital	• Each of the Subordinated Sukuk Murabahah may have a call option to allow the Bank to redeem the relevant tranche of the Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after a minimum period of five (5) years from the issue date of that tranche, subject to the relevant early redemption conditions being satisfied. • Unsecured. • Subordinated Sukuk Murabahah shall be utilised to finance the Bank's Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding Sukuk Murabahah issued under both programmes. All utilisation shall be Shariah Compliant. • Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah to be written off. • No Conversion into Equity.

Total outstanding Subordinated Sukuk Murabahah issued under both programmes which are qualified as Tier 2 regulatory capital of the Bank and the Group as of 31 December 2020 is RM1.7 billion.

2.2 Internal Capital Adequacy Assessment Process ("ICAAP")

The Group has carried out the internal assessment process on capital as prescribed in BNM's CAFIB - ICAAP ("Pillar 2") to complement its current capital management practices. The first ICAAP Document Policy was formalised and approved by the Board in March 2013 and is being reviewed on an annual basis. The Group's ICAAP helps to suggest the minimum internal capital requirement for its current and future business strategies and financial plans for the next three (3) years via a comprehensive risk assessment process on its portfolio risk exposures, its risk management practices towards its material risks and potential capital planning buffer required in the event of stress.

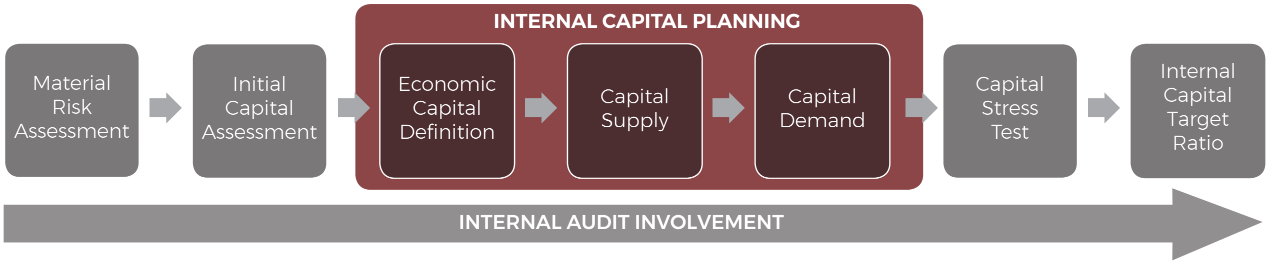
The Group's ICAAP is conducted on a consolidated basis covering all the Bank's legal entities as suggested by BNM's Pillar 2 Guideline.

PILLAR 3 DISCLOSURE
as at 31 December 2020

2. CAPITAL ADEQUACY (CONTINUED)

2.2 Internal Capital Adequacy Assessment Process ("ICAAP") (continued)

The Group's ICAAP methodology can be summarised as follows:



Under ICAAP, the following risk types are identified and measured:

- Risks captured under Pillar 1 (i.e. Credit Risk, Market Risk, and Operational Risk);
- Risk not fully captured under Pillar 1 (e.g. Migration and Residual Risk);
- Risk not covered under Pillar 1 (e.g. Credit Concentration Risk, Profit Rate in the Banking Book, Shariah Non-Compliance Risk, Regulatory/Compliance Risk, Contagion Risk, and IT Risk)

2.3 Stress Testing

Regular stress testing (including reverse stress testing) is performed to assess the Group's ability to maintain adequate capital under both normal business cycle and unfavourable economic conditions. The stress testing is embedded within the risk and capital management process of the Group and is a key function of capital planning and business planning processes. Stress Testing also plays an important role in:

- Identifying the possible events or future changes in the financial and economic conditions of the country and globally that could potentially have unfavourable effects on the Group's exposures;
- Identifying the different portfolios response to changes in key economic variables (profit rate, foreign exchange rate, GDP, etc);
- Evaluating the Group's ability to withstand such changes, i.e. its capacity in terms of its capital and earnings, to absorb potentially significant losses; and
- Analysing the Group's ability to meet the minimum regulatory capital requirement at all times throughout a reasonably severe economic crisis.

The Group has put in place a stress testing programme (including reverse stress testing) which has taken into account all risks deemed material to the Group, namely credit risk, market risk, liquidity risk and operational risk including Shariah non-compliance risk, regulatory compliance risk, contagion risk and IT risk.

In line with the Group's Stress Testing Policy, ad-hoc and more frequent stress testing has been conducted to assess the impact of deterioration on specific risk areas in line with stressed macroeconomic variables. The impact of COVID-19 pandemic outbreak such as repayment assistance, vulnerable portfolio and liquidity risk to the Bank were assessed to ensure the Bank's ability to maintain adequate capital under this stressed situation.

2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios

The Group is required to comply with the Common Equity Tier 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio ("TCR") as prescribed by BNM. The Group has been in compliance with all prescribed capital adequacy ratios throughout the period.

Total capital and capital adequacy ratios of the Group have been computed based on the updated BNM's CAFIB - Capital Components Guideline issued on 9 December 2020 and BNM's CAFIB – RWA Guideline issued on 3 May 2019. The minimum regulatory capital adequacy ratios requirement for CET 1 capital ratio, Tier 1 capital ratio and TCR including capital buffers i.e. Capital Conservation Buffers ("CCB") are 7.0%, 8.5% and 10.5% respectively.

The CCB is intended to encourage the build-up of capital buffers by individual Islamic banking institutions during normal times that can be drawn down during stress periods.

Arising from the COVID-19 pandemic outbreak, BNM through its Memo titled "Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak" dated 24 March 2020 allowed banking institutions to withdraw the CCB of 2.5% until 31 December 2020.

With the withdrawal, the minimum regulatory capital adequacy ratios requirement for CET 1 capital ratio, Tier 1 capital ratio and TCR for year 2020 were reduced to 4.50%, 6.00% and 8.00% respectively. However, BNM required all banking institutions to restore its minimum regulatory requirements back to its original position by 30 September 2021.

Table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2020 determined by the requirements of the CAFIB. The capital adequacy ratios of the Group and Bank are set as per below:

(a) The capital adequacy ratios of the Group and of the Bank:

	Group		Bank	
Before effect of IA	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Before deducting proposed dividends				
CET 1 Capital Ratio	**12.07%**	11.89%	**12.04%**	11.86%
Tier 1 Capital Ratio	**12.07%**	11.89%	**12.04%**	11.86%
Total Capital Ratio	**16.53%**	15.82%	**16.51%**	15.79%
After deducting proposed dividends				
CET 1 Capital Ratio	**11.79%**	11.57%	**11.77%**	11.54%
Tier 1 Capital Ratio	**11.79%**	11.57%	**11.77%**	11.54%
Total Capital Ratio	**16.26%**	15.49%	**16.24%**	15.47%

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2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(a) The capital adequacy ratios of the Group and of the Bank (continued):

After effect of IA	Group 31.12.2020	Group 31.12.2019	Bank 31.12.2020	Bank 31.12.2019
Before deducting proposed dividends				
CET 1 Capital Ratio	**14.67%**	14.21%	**14.64%**	14.19%
Tier 1 Capital Ratio	**14.67%**	14.21%	**14.64%**	14.19%
Total Capital Ratio	**19.82%**	18.66%	**19.80%**	18.64%
After deducting proposed dividends				
CET 1 Capital Ratio	**14.34%**	13.83%	**14.31%**	13.80%
Tier 1 Capital Ratio	**14.34%**	13.83%	**14.31%**	13.80%
Total Capital Ratio	**19.49%**	18.27%	**19.47%**	18.25%

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank:

	31.12.2020 Group RM'000	31.12.2020 Bank RM'000
Tier I Capital		
Paid-up share capital	**3,306,118**	**3,306,118**
Share Premium	**–**	**–**
Retained earnings	**2,891,023**	**2,884,760**
Other reserves	**88,558**	**88,707**
Less: Deferred tax assets	**(1,511)**	**–**
Less: 55% of fair value	**(103,564)**	**(103,564)**
Less: Regulatory reserve attributable to financing	**–**	**–**
Less: Investment in subsidiaries	**–**	**(15,525)**
Total Common Equity Tier I Capital	**6,180,624**	**6,160,496**
Total Additional Tier I Capital	**–**	**–**
Total Tier I Capital	**6,180,624**	**6,160,496**
Subordinated Sukuk	**1,700,000**	**1,700,000**
Collective assessment allowance ^	**472,256**	**472,005**
Total Tier II Capital	**2,172,256**	**2,172,005**
Total Capital	**8,352,880**	**8,332,501**

^ *Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.*

2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(b) CET 1, Tier I and Tier II capital components of the Group and of the Bank (continued):

	31.12.2019	
	Group RM'000	**Bank RM'000**
Tier I Capital		
Paid-up share capital	3,012,368	3,012,368
Share Premium	–	–
Retained earnings	2,594,820	2,589,798
Other reserves	107,265	107,398
Less: Deferred tax assets	(33,774)	(32,268)
Less: 55% of fair value	(104,062)	(104,062)
Less: Regulatory reserve attributable to financing	(25,000)	(25,000)
Less: Investment in subsidiaries	–	(15,525)
Total Common Equity Tier I Capital	**5,551,617**	**5,532,709**
Total Additional Tier I Capital	**–**	**–**
Total Tier I Capital	**5,551,617**	**5,532,709**
Subordinated Sukuk	1,300,000	1,300,000
Collective assessment allowance ^	436,544	436,356
Total Tier II Capital	**1,736,544**	**1,736,356**
Total Capital	**7,288,161**	**7,269,065**

^ *Collective assessment allowance on non-impaired financing and regulatory reserve subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.*

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as at 31 December 2020

2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

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

(i) Group

31 December 2020 Exposure Class	**Gross Exposure RM'000**	**Net Exposure RM'000**	**Risk-Weighted Asset RM'000**	**Minimum Capital Requirement At 8% RM'000**
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	**8,165,933**	**8,165,933**	**-**	**-**
Public Sector Entities	**1,600,640**	**1,587,966**	**430,688**	**34,455**
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	**510,976**	**510,976**	**103,179**	**8,254**
Corporate	**19,584,934**	**19,226,882**	**10,505,419**	**840,434**
Regulatory Retail	**19,456,154**	**19,416,328**	**18,879,252**	**1,510,340**
Residential Mortgages	**21,610,415**	**21,604,144**	**13,735,734**	**1,098,859**
Higher Risk Assets	**3,783**	**3,783**	**5,674**	**454**
Other Assets	**1,802,897**	**1,802,897**	**939,663**	**75,173**
Defaulted Exposures	**895,404**	**860,147**	**839,948**	**67,196**
Total for On-Balance Sheet Exposures	**73,631,136**	**73,179,056**	**45,439,557**	**3,635,165**
Off-Balance Sheet Exposures				
Credit-related Exposures	**1,461,127**	**1,454,525**	**1,329,221**	**106,338**
Derivative Financial Instruments	**148,631**	**148,632**	**64,632**	**5,171**
Defaulted Exposures	**25,822**	**25,822**	**29,167**	**2,333**
Total for Off-Balance Sheet Exposures	**1,635,580**	**1,628,979**	**1,423,020**	**113,842**
Total On and Off-Balance Sheet Exposures	**75,266,716**	**74,808,035**	**46,862,577**	**3,749,006**
Less: Credit Risk absorbed by IA			**(9,082,114)**	**(726,569)**

	Long Position	**Short Position**			
Market Risk					
Benchmark Rate Risk	**9,461,133**	**(8,518,693)**	**942,439**	**313,417**	**25,073**
Foreign Exchange Risk	**23,673**	**(325,509)**	**(301,836)**	**325,509**	**26,041**
Inventory Risk			**-**	**-**	**-**
Total Market Risk	**9,484,806**	**(8,844,202)**	**640,603**	**638,926**	**51,114**
Operational Risk				**3,719,636**	**297,571**
Total RWA and Capital Requirements				**42,139,024**	**3,371,122**

Note: As at 31 December 2020, the Group did not have any exposures under securitisation.

2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

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

(i) Group (continued)

31 December 2019 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk-Weighted Asset RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,678,926	5,678,926	–	–
Public Sector Entities	1,436,018	1,428,892	356,962	28,557
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	303,271	303,271	61,878	4,950
Corporate	19,213,079	19,025,569	10,062,497	805,000
Regulatory Retail	17,344,379	17,237,822	16,700,409	1,336,033
Residential Mortgages	19,642,414	19,635,350	12,359,824	988,786
Higher Risk Assets	4,246	4,246	6,368	509
Other Assets	2,824,066	2,824,065	889,734	71,179
Defaulted Exposures	656,364	638,020	661,036	52,883
Total for On-Balance Sheet Exposures	67,102,763	66,776,161	41,098,708	3,287,897
Off-Balance Sheet Exposures				
Credit-related Exposures	1,571,531	1,559,891	1,389,598	111,168
Derivative Financial Instruments	79,772	79,772	42,897	3,432
Defaulted Exposures	14,687	14,687	20,691	1,655
Total for Off-Balance Sheet Exposures	1,665,990	1,654,350	1,453,186	116,255
Total On and Off-Balance Sheet Exposures	**68,768,753**	**68,430,511**	**42,551,894**	**3,404,152**
Less: Credit Risk absorbed by IA			(7,628,353)	(610,268)

	Long Position	Short Position	Net Exposure RM'000	Risk-Weighted Asset RM'000	Minimum Capital Requirement at 8% RM'000
Market Risk					
Benchmark Rate Risk	6,679,457	(6,255,630)	423,828	194,136	15,531
Foreign Exchange Risk	20,882	(386,308)	(365,426)	386,308	30,905
Inventory Risk			–	–	–
Total Market Risk	6,700,339	(6,641,938)	58,402	580,444	46,436
Operational Risk				3,551,083	284,087
Total RWA and Capital Requirements				**39,055,068**	**3,124,406**

Note: As at 31 December 2019, the Group did not have any exposures under securitisation.

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2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

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

(ii) Bank

31 December 2020 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk-Weighted Asset RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	8,165,933	8,165,933	–	–
Public Sector Entities	1,600,640	1,587,966	430,688	34,455
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	510,893	510,893	103,163	8,253
Corporate	19,584,934	19,226,882	10,505,419	840,434
Regulatory Retail	19,456,154	19,416,328	18,879,252	1,510,340
Residential Mortgages	21,610,415	21,604,144	13,735,734	1,098,859
Higher Risk Assets	3,783	3,783	5,674	454
Other Assets	1,786,255	1,786,255	919,927	73,594
Defaulted Exposures	895,404	860,147	839,948	67,196
Total for On-Balance Sheet Exposures	73,614,411	73,162,332	45,419,804	3,633,584
Off-Balance Sheet Exposures				
Credit-related Exposures	1,461,127	1,454,525	1,329,221	106,338
Derivative Financial Instruments	148,631	148,632	64,632	5,171
Defaulted Exposures	25,822	25,822	29,167	2,333
Total for Off-Balance Sheet Exposures	1,635,580	1,628,979	1,423,020	113,842
Total On and Off-Balance Sheet Exposures	75,249,991	74,791,311	46,842,824	3,747,426
Less: Credit Risk absorbed by IA			(9,082,416)	(726,593)

	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	9,461,133	(8,518,693)	942,439	313,417	25,073
Foreign Exchange Risk	23,673	(325,509)	(301,836)	325,509	26,041
Inventory Risk	–	–	–	–	–
Total Market Risk	9,484,806	(8,844,202)	640,603	638,926	51,114
Operational Risk				3,675,867	294,069
Total RWA and Capital Requirements				42,075,201	3,366,016

Note: As at 31 December 2020, the Bank did not have any exposures under securitisation.

2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

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

(ii) Bank (continued)

31 December 2019 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk-Weighted Asset RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,678,926	5,678,926	–	–
Public Sector Entities	1,436,018	1,428,892	356,962	28,557
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	302,847	302,847	61,703	4,936
Corporate	19,213,079	19,025,569	10,062,497	805,000
Regulatory Retail	17,344,379	17,237,822	16,700,409	1,336,033
Residential Mortgages	19,642,414	19,635,350	12,359,824	988,786
Higher Risk Assets	4,246	4,246	6,368	509
Other Assets	2,813,575	2,813,575	874,862	69,989
Defaulted Exposures	656,364	638,020	661,036	52,883
Total for On-Balance Sheet Exposures	67,091,849	66,765,246	41,083,660	3,286,693
Off-Balance Sheet Exposures				
Credit-related Exposures	1,571,531	1,559,891	1,389,598	111,168
Derivative Financial Instruments	79,772	79,772	42,897	3,432
Defaulted Exposures	14,687	14,687	20,691	1,655
Total for Off-Balance Sheet Exposures	1,665,990	1,654,350	1,453,186	116,255
Total On and Off-Balance Sheet Exposures	**68,757,839**	**68,419,596**	**42,536,846**	**3,402,948**
Less: Credit Risk absorbed by IA			(7,628,353)	(610,268)

	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	6,679,457	(6,255,630)	423,828	194,136	15,531
Foreign Exchange Risk	20,882	(386,308)	(365,426)	386,308	30,905
Inventory Risk	–	–	–	–	–
Total Market Risk	6,700,339	(6,641,938)	58,402	580,444	46,436
Operational Risk				3,514,162	281,133
Total RWA and Capital Requirements				**39,003,099**	**3,120,248**

Note: As at 31 December 2019, the Bank did not have any exposures under securitisation.

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as at 31 December 2020

3. RISK MANAGEMENT

3.1 Overview

The Group's mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

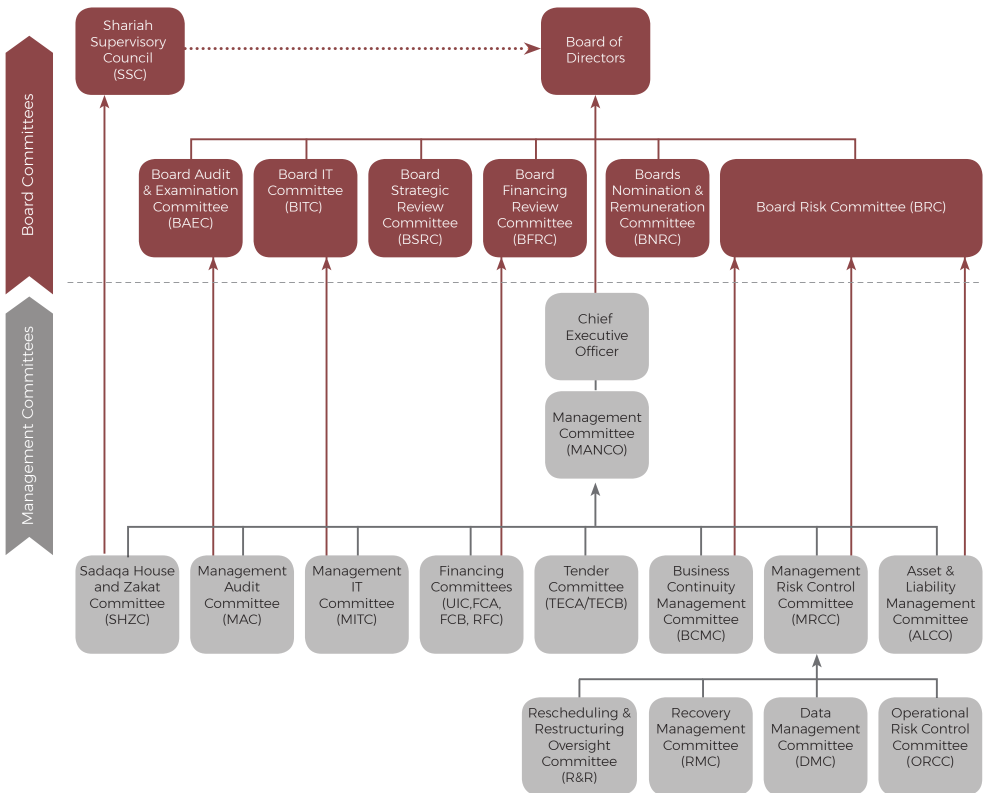
In that regard, the specific objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Group;
- Establish a standard approach and methodology in managing risks namely credit, market, liquidity, operational, IT & cyber risk and compliance risks across the Group;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets the international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets; and
- Ensure that the Group's capital can support current and planned business needs in terms of risk exposures.

3.2 Risk Management Functional and Governance Structure

The Group has aligned its organisational responsibilities with the objective of ensuring a common view of risks across the Group. As a matter of prudence and good governance, the Group's core risk management functions, which report to the Board Risk Committee ("BRC"), are independent and segregated from the business divisions and centralised at head office.

The following illustrates the Group's governance structure:



3. RISK MANAGEMENT (CONTINUED)

3.2 Risk Management Functional and Governance Structure (continued)

The Group recognises the fact that the essence of banking and financial services is centred on risk taking. The Group therefore:

- Recognises that it has to manage risks effectively to achieve its business targets;
- Reaches an optimum level of risk-return in order to maximise stakeholders' value; and
- Ensures effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Group within its risk appetite and tolerance.

The Group has established a Risk Appetite Statement Policy that forms an integral part of the Group's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Group is prepared to accept in support of a stated strategy, impacting all businesses from a credit, market and operational risk viewpoint.

4. CREDIT RISK

4.1 Overview

Credit risk is the risk of a customer or counterparty failing to perform its obligations. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor (collectively referred to as counterparties). The types of credit risks that the Group considers to be material include: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk and Migration Risk.

4.2 Credit Risk Governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the Management Risk Control Committee ("MRCC") and/or BRC, guided by the Boards' approved Risk Appetite Statement Policy.

The Group has several levels of Financing Committees, which assess and approve credits at their specified authority levels.

MRCC is responsible under the authority delegated by the BRC for managing credit risk at strategic level. MRCC reviews the Group's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Group's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

PILLAR 3 DISCLOSURE
as at 31 December 2020

4. CREDIT RISK

4.3 Management of Credit Risk

The management of credit risk is being performed by the Credit Management Division ("CMD") and Risk Management Division ("RMD") and two other units outside of the CMD and RMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio which is in line with the Group's overall strategy and risk appetite;
- To ensure that the Group is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Group monitors its credit exposures either on a portfolio basis or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (a certain part of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private entities' instruments, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

4.4 Capital Treatment for Credit Risk

The Group adopts the Standardised Approach to compute the credit risk capital requirement under BNM's CAFIB.

4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances

The table below presents the Group's and the Bank's gross financing and advances analysed by credit quality:

	Group and Bank	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Neither past due nor impaired	**54,596,595**	49,231,998
Past due but not impaired	**628,767**	558,970
Impaired	**373,234**	433,001
	55,598,596	**50,223,969**
Gross Impaired Financing as a percentage of Gross Financing and Advances	**0.67%**	**0.86%**

(a) *Neither Past Due nor Impaired*

Financings classified as neither past due nor impaired are financings of which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired as there is no objective evidence of impairment of the financing.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

	Group and Bank	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Excellent to Good	**47,226,265**	43,148,587
Satisfactory	**6,995,181**	5,827,662
Fair	**375,149**	255,749
	54,596,595	**49,231,998**

Internal rating definition:

- **Excellent to Good**: Sound financial position of the customer with no difficulty in meeting its obligations.
- **Satisfactory**: Adequate safety of the customer meeting its current obligations but more time is required to meet the entire obligations in full.
- **Fair**: High risks on payment obligations. Financial performance may continue to deteriorate.

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as at 31 December 2020

4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(b) Past Due but Not Impaired

Financings classified as past due but not impaired are financings of which their contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by ageing:

By ageing	Group and Bank 31.12.2020 RM'000	Group and Bank 31.12.2019 RM'000
Month-in-arrears 1	**429,323**	360,615
Month-in-arrears 2	**199,444**	198,355
	628,767	**558,970**

Analysis of the past due but not impaired financing and advances by sector:

	Group and Bank 31.12.2020 RM'000	Group and Bank 31.12.2019 RM'000
Primary agriculture	**–**	21,081
Mining and quarrying	**3,615**	–
Manufacturing (including agro-based)	**761**	953
Electricity, gas and water	**–**	–
Wholesale & retail trade, and hotels & restaurants	**23,195**	2,809
Construction	**8,215**	9,729
Real estate	**136**	–
Transport, storage and communications	**38,370**	40,995
Finance, insurance and business activities	**8,228**	3,120
Education, health and others	**2,424**	0
Household sectors	**543,823**	480,283
Other sectors	**–**	–
	628,767	**558,970**

4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financing (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financing or group of financings that can be reliably estimated.

The Group and the Bank first assess individually whether the objective evidence of impairment exists individually for financings which are individually significant, and collectively for financings which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financings with similar credit risk characteristic and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.
Impaired financing by assessment type:

	Group and Bank	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Individually Assessed	**219,160**	242,430
of which:		
Month-in-Arrears 0	**23,780**	*35,467*
Month-in-Arrears 1	**6,659**	*9,582*
Month-in-Arrears 2	**17,010**	*3,647*
Month-in-Arrears 3 and above	**171,711**	*193,734*
Collectively Assessed	**154,074**	190,571
	373,234	**433,001**

PILLAR 3 DISCLOSURE
as at 31 December 2020

4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 December 2020 RM'000	Impaired Financing at 31.12.2020	Individual Assessment Allowance: Individual Assessment as at 01.01.2020	Individual Assessment Allowance: Net Charge for the Financial Year	Individual Assessment Allowance: Amounts Written Off/ Other Movements	Individual Assessment Allowance: Individual Assessment as at 31.12.2020	Collective Assessment Allowance at 31.12.2020	Total Impairment Allowances for Financing At 31.12.2020
Primary Agriculture	-	-	-	-	-	18,882	18,882
Mining and Quarrying	-	-	-	-	-	2,411	2,411
Manufacturing (including Agro-based)	28,329	25,797	(3,555)	(15,469)	6,775	32,316	39,091
Electricity, Gas and Water	-	-	-	-	-	65,708	65,708
Wholesale & Retail Trade and Restaurants & Hotels	89,812	23,494	3,335	(3,064)	23,765	29,556	53,321
Construction	36,220	11,133	5,358	(2,059)	14,432	89,865	104,297
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	17,801	4,349	218	-	4,567	34,248	38,815
Finance, Insurance and Business Services	6,140	-	258	-	258	106,156	106,414
Education, Health and Others	3,969	3,676	(1,394)	(1,763)	519	15,631	16,150
Household Sectors	190,963	19,598	(3,694)	(1,024)	14,879	467,993	482,872
Other Sectors	-	-	-	-	-	-	-
Total	**373,234**	**88,047**	**526**	**(23,379)**	**65,195**	**862,766**	**927,961**

4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 December 2019 RM'000	Impaired Financing at 31.12.2019	Individual Assessment Allowance: Individual Assessment as at 01.01.2019	Individual Assessment Allowance: Net Charge for the Financial Year	Individual Assessment Allowance: Amounts Written Off/ Other Movements	Individual Assessment Allowance: Individual Assessment as at 31.12.2019	Collective Assessment Allowance at 31.12.2019	Total Impairment Allowances for Financing At 31.12.2019
Primary Agriculture	-	-	-	-	-	31,276	31,276
Mining and Quarrying	-	-	-	-	-	38,292	38,292
Manufacturing (including Agro-based)	45,715	5,438	20,360	-	25,798	36,007	61,805
Electricity, Gas and Water	-	-	-	-	-	45,386	45,386
Wholesale & Retail Trade and Restaurants & Hotels	97,043	28,202	(4,708)	-	23,494	22,793	46,287
Construction	29,361	106,338	7,641	(102,846)	11,133	74,552	85,685
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	10,217	3,434	915	-	4,349	28,924	33,273
Finance, Insurance and Business Services	8,125	762	2,295	(3,058)	-	61,503	61,503
Education, Health and Others	8,179	1,776	1,900	-	3,676	9,922	13,598
Household Sectors	234,361	10,740	9,188	(330)	19,598	293,270	312,868
Other Sectors	-	-	-	-	-	21,475	21,475
Total	**433,001**	**156,691**	**37,590**	**(106,234)**	**88,047**	**663,400**	**751,447**

PILLAR 3 DISCLOSURE
as at 31 December 2020

4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(d) Gross Financing and Advances – Exposures by Geographical Areas

31 December 2020 RM'000	Gross Financing	Of Which: Past Due But Not Impaired Financing	Of Which: Impaired Financing	Individual Allowances	Collective Allowances
Central Region	**25,745,132**	**326,811**	**174,617**	**47,606**	**496,983**
Eastern Region	**8,757,468**	**80,907**	**86,291**	**15,481**	**94,975**
Northern Region	**7,431,066**	**93,699**	**78,220**	**–**	**93,343**
Southern Region	**9,416,361**	**88,776**	**19,167**	**2,108**	**89,166**
East Malaysia Region	**4,248,569**	**38,574**	**14,939**	**–**	**88,299**
Grand Total	**55,598,596**	**628,767**	**373,234**	**65,195**	**862,766**

31 DECEMBER 2019 RM'000	Gross Financing	Of Which: Past Due But Not Impaired Financing	Of Which: Impaired Financing	Individual Allowances	Collective Allowances
Central Region	23,794,695	280,243	181,730	42,199	384,653
Eastern Region	7,861,683	96,802	101,743	23,890	78,839
Northern Region	6,673,024	69,345	79,976	1,754	66,724
Southern Region	8,278,422	76,877	47,527	18,479	90,860
East Malaysia Region	3,616,145	35,703	22,025	1,725	42,325
Grand Total	**50,223,969**	**558,970**	**433,001**	**88,047**	**663,400**

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures

(a) Geographic Distribution of Credit Exposures

(i) Group

31 December 2020 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	8,165,933	–	–	–	–	8,165,933
Public Sector Entities	1,060,099	143,574	46,935	344,404	5,628	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	510,556	330	–	90	–	510,976
Corporate	16,313,849	1,058,669	703,735	1,469,709	789,298	20,335,260
Regulatory Retail	7,778,636	3,565,676	3,034,206	3,072,934	2,082,322	19,533,774
Residential Mortgages	8,184,067	3,965,812	3,627,072	4,534,191	1,366,731	21,677,873
Higher Risk Assets	2,083	620	141	118	821	3,783
Other Assets	1,800,176	–	–	–	2,721	1,802,897
Total for On-Balance Sheet Exposures	43,815,399	8,734,681	7,412,089	9,421,446	4,247,521	73,631,136
Off-Balance Sheet Exposures						
Credit-related Exposures	1,217,355	60,569	40,546	120,305	48,174	1,486,949
Derivative Financial Instruments	148,631	–	–	–	–	148,631
Total for Off-Balance Sheet Exposures	1,365,986	60,569	40,546	120,305	48,174	1,635,580
Total On and Off-Balance Sheet Exposures	**45,181,385**	**8,795,250**	**7,452,635**	**9,541,751**	**4,295,695**	**75,266,716**

PILLAR 3 DISCLOSURE
as at 31 December 2020

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(i) Group (continued)

31 December 2019 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,678,926	–	–	–	–	5,678,926
Public Sector Entities	953,476	146,026	3,577	334,694	–	1,437,773
Banks, Developments Financial Institutions and Multilateral Development Banks	302,838	338	–	95	–	303,271
Corporate	16,403,066	878,478	617,583	1,282,629	535,135	19,716,891
Regulatory Retail	7,001,650	3,222,611	2,663,992	2,688,577	1,841,294	17,418,124
Residential Mortgages	7,579,007	3,584,070	3,373,791	3,950,039	1,232,560	19,719,467
Higher Risk Assets	2,170	790	257	126	903	4,246
Other Assets	2,823,984	–	–	–	82	2,824,066
Total for On-Balance Sheet Exposures	40,745,117	7,832,313	6,659,200	8,256,160	3,609,974	67,102,764
Off-Balance Sheet Exposures						
Credit-related Exposures	1,243,006	73,472	32,178	193,668	43,894	1,586,218
Derivative Financial Instruments	79,772	–	–	–	–	79,772
Total for Off-Balance Sheet Exposures	1,322,778	73,472	32,178	193,668	43,894	1,665,990
Total On and Off-Balance Sheet Exposures	**42,067,895**	**7,905,785**	**6,691,378**	**8,449,828**	**3,653,868**	**68,768,754**

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank

31 December 2020 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	8,165,933	–	–	–	–	8,165,933
Public Sector Entities	1,060,099	143,574	46,935	344,404	5,628	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	510,473	330	–	90	–	510,893
Corporate	16,313,849	1,058,669	703,735	1,469,709	789,298	20,335,260
Regulatory Retail	7,778,636	3,565,676	3,034,206	3,072,934	2,082,322	19,533,774
Residential Mortgages	8,184,067	3,965,812	3,627,072	4,534,191	1,366,731	21,677,873
Higher Risk Assets	2,083	620	141	118	821	3,783
Other Assets	1,783,533	–	–	–	2,722	1,786,255
Total for On-Balance Sheet Exposures	43,798,673	8,734,681	7,412,089	9,421,446	4,247,522	73,614,411
Off-Balance Sheet Exposures						
Credit-related Exposures	1,217,355	60,569	40,546	120,305	48,174	1,486,949
Derivative Financial Instruments	148,631	–	–	–	–	148,631
Total for Off-Balance Sheet Exposures	1,365,986	60,569	40,546	120,305	48,174	1,635,580
Total On and Off-Balance Sheet Exposures	45,164,659	8,795,250	7,452,635	9,541,751	4,295,696	75,249,991

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank (continued)

31 December 2019 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	5,678,926	–	–	–	–	5,678,926
Public Sector Entities	953,476	146,026	3,577	334,694	–	1,437,773
Banks, Developments Financial Institutions and Multilateral Development Banks	302,414	338	–	95	–	302,847
Corporate	16,403,066	878,478	617,583	1,282,629	535,135	19,716,891
Regulatory Retail	7,001,650	3,222,611	2,663,992	2,688,577	1,841,294	17,418,124
Residential Mortgages	7,579,007	3,584,070	3,373,791	3,950,039	1,232,560	19,719,467
Higher Risk Assets	2,170	790	257	126	903	4,246
Other Assets	2,813,493	–	–	–	82	2,813,575
Total for On-Balance Sheet Exposures	40,734,202	7,832,313	6,659,200	8,256,160	3,609,974	67,091,849
Off-Balance Sheet Exposures						
Credit-related Exposures	1,243,006	73,472	32,178	193,668	43,894	1,586,218
Derivative Financial Instruments	79,772	–	–	–	–	79,772
Total for Off-Balance Sheet Exposures	1,322,778	73,472	32,178	193,668	43,894	1,665,990
Total On and Off-Balance Sheet Exposures	**42,056,980**	**7,905,785**	**6,691,378**	**8,449,828**	**3,653,868**	**68,757,839**

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(i) Group

31 December 2020 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM '000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,246,069	-	-	2,919,864	8,165,933
Public Sector Entities	955	-	112,118	-	-	5,019	-	-	197,842	1,284,423	283	-	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	358,688	100,010	421	51,857	510,976
Corporate	1,119,668	64,577	1,099,232	3,315,698	660,832	3,539,328	2,015,830	2,024,878	3,869,984	598,072	135,552	1,891,609	20,335,260
Regulatory Retail	1,348	3,086	32,791	866	63,850	62,219	35,318	19,599	72,750	44,918	19,193,791	3,238	19,533,774
Residential Mortgages	-	353	523	-	-	111	-	-	-	-	21,676,886	-	21,677,873
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,783	-	3,783
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,802,897	1,802,897
Total for On-Balance Sheet Exposures	1,121,971	68,016	1,244,664	3,316,564	724,682	3,606,677	2,051,148	2,044,477	9,745,333	2,027,423	41,010,716	6,669,465	73,631,136
Off-Balance Sheet Exposures													
Credit-related Exposures	25,804	12,986	99,159	58,429	81,990	383,333	64,459	64,311	89,116	177,241	259,166	170,955	1,486,949
Derivative Financial Instruments	-	-	72	-	64,886	600	-	-	15,854	37,795	-	29,424	148,631
Total for Off-Balance Sheet Exposures	25,804	12,986	99,231	58,429	146,876	383,933	64,459	64,311	104,970	215,036	259,166	200,379	1,635,580
Total On and Off-Balance Sheet Exposures	**1,147,775**	**81,002**	**1,343,895**	**3,374,993**	**871,558**	**3,990,610**	**2,115,607**	**2,108,788**	**9,850,303**	**2,242,459**	**41,269,882**	**6,869,844**	**75,266,716**

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(i) Group (continued)

31 December 2019 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM '000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,425,537	-	-	2,253,389	5,678,926
Public Sector Entities	-	-	-	-	-	-	-	-	188,573	1,236,325	159	12,716	1,437,773
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	246,446	-	434	56,391	303,271
Corporate	1,046,970	37,782	807,501	3,420,837	613,618	2,620,144	1,559,804	2,388,599	3,528,760	293,857	73,024	3,325,995	19,716,891
Regulatory Retail	7,420	1,259	22,955	720	44,372	61,132	34,532	11,791	49,621	39,844	17,086,334	58,144	17,418,124
Residential Mortgages	-	662	31	-	-	-	-	-	-	-	19,718,774	-	19,719,467
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	4,246	-	4,246
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,824,066	2,824,066
Total for On-Balance Sheet Exposures	1,054,390	39,703	830,487	3,421,557	657,990	2,681,276	1,594,336	2,400,390	7,438,937	1,570,026	36,882,971	8,530,701	67,102,764
Off-Balance Sheet Exposures													-
Credit-related Exposures	54,341	15,585	99,009	66,521	74,841	330,468	94,380	59,039	92,655	176,097	238,421	284,861	1,586,218
Derivative Financial Instruments	-	-	383	-	32,110	-	-	3	12,889	27,955	-	6,432	79,772
Total for Off-Balance Sheet Exposures	54,341	15,585	99,392	66,521	106,951	330,468	94,380	59,042	105,544	204,052	238,421	291,293	1,665,990
Total On and Off-Balance Sheet Exposures	**1,108,731**	**55,288**	**929,879**	**3,488,078**	**764,941**	**3,011,744**	**1,688,716**	**2,459,432**	**7,544,481**	**1,774,078**	**37,121,392**	**8,821,994**	**68,768,754**

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(ii) Bank

31 December 2020 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM '000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,246,069	-	-	2,919,864	8,165,933
Public Sector Entities	955	-	112,118	-	-	5,019	-	-	197,842	1,284,423	283	-	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	358,688	100,010	421	51,774	510,893
Corporate	1,119,668	64,577	1,099,232	3,315,698	660,832	3,539,328	2,015,830	2,024,878	3,869,985	598,072	135,552	1,891,608	20,335,260
Regulatory Retail	1,348	3,086	32,791	866	63,850	62,219	35,318	19,599	72,750	44,918	19,193,791	3,238	19,533,774
Residential Mortgages	-	353	523	-	-	111	-	-	-	-	21,676,886	-	21,677,873
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,783	-	3,783
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,786,255	1,786,255
Total for On-Balance Sheet Exposures	1,121,971	68,016	1,244,664	3,316,564	724,682	3,606,677	2,051,148	2,044,477	9,745,334	2,027,423	41,010,716	6,652,739	73,614,411
Off-Balance Sheet Exposures													-
Credit-related Exposures	25,805	12,986	99,159	58,429	81,990	383,333	64,458	64,311	89,116	177,241	259,166	170,955	1,486,949
Derivative Financial Instruments	-	-	72	-	64,886	600	-	-	15,854	37,795	-	29,424	148,631
Total for Off-Balance Sheet Exposures	25,805	12,986	99,231	58,429	146,876	383,933	64,458	64,311	104,970	215,036	259,166	200,379	1,635,580
Total On and Off-Balance Sheet Exposures	**1,147,776**	**81,002**	**1,343,895**	**3,374,993**	**871,558**	**3,990,610**	**2,115,606**	**2,108,788**	**9,850,304**	**2,242,459**	**41,269,882**	**6,853,118**	**75,249,991**

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as at 31 December 2020

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(ii) Bank (continued)

31 December 2019 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM '000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,425,537	-	-	2,253,389	5,678,926
Public Sector Entities	-	-	-	-	-	-	-	-	188,573	1,236,325	159	12,716	1,437,773
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	246,446	-	434	55,967	302,847
Corporate	1,046,970	37,782	807,501	3,420,837	613,618	2,620,144	1,559,804	2,388,599	3,528,760	293,857	73,024	3,325,995	19,716,891
Regulatory Retail	7,420	1,259	22,955	720	44,372	61,132	34,532	11,791	49,621	39,844	17,086,334	58,144	17,418,124
Residential Mortgages	-	662	31	-	-	-	-	-	-	-	19,718,774	-	19,719,467
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	4,246	-	4,246
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,813,575	2,813,575
Total for On-Balance Sheet Exposures	1,054,390	39,703	830,487	3,421,557	657,990	2,681,276	1,594,336	2,400,390	7,438,937	1,570,026	36,882,971	8,519,786	67,091,849
Off-Balance Sheet Exposures													-
Credit-related Exposures	54,341	15,585	99,009	66,521	74,841	330,468	94,380	59,039	92,655	176,097	238,421	284,861	1,586,218
Derivative Financial Instruments	-	-	383	-	32,110	-	-	3	12,889	27,955	-	6,432	79,772
Total for Off-Balance Sheet Exposures	54,341	15,585	99,392	66,521	106,951	330,468	94,380	59,042	105,544	204,052	238,421	291,293	1,665,990
Total On and Off-Balance Sheet Exposures	**1,108,731**	**55,288**	**929,879**	**3,488,078**	**764,941**	**3,011,744**	**1,688,716**	**2,459,432**	**7,544,481**	**1,774,078**	**37,121,392**	**8,811,079**	**68,757,839**

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown

(i) Group

31 December 2020 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,025,763	1,307,472	1,832,698	8,165,933
Public Sector Entities	126,850	672,694	801,096	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	307,302	201,040	2,634	510,976
Corporate	3,418,150	6,616,986	10,300,124	20,335,260
Regulatory Retail	60,071	3,035,247	16,438,456	19,533,774
Residential Mortgages	10,535	136,323	21,531,015	21,677,873
Higher Risk Assets	–	14	3,769	3,783
Other Assets	351,256	–	1,451,641	1,802,897
Total for On-Balance Sheet Exposures	9,299,927	11,969,776	52,361,433	73,631,136
Off-Balance Sheet Exposures				
Credit-related Exposures	512,097	581,139	393,713	1,486,949
Derivative Financial Instruments	143,217	5,414	–	148,631
Total for Off-Balance Sheet Exposures	655,314	586,553	393,713	1,635,580
Total On and Off-Balance Sheet Exposures	9,955,241	12,556,329	52,755,146	75,266,716

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(i) Group (continued)

31 December 2019 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	2,872,565	1,195,014	1,611,347	5,678,926
Public Sector Entities	104,753	674,863	658,157	1,437,773
Banks, Developments Financial Institutions and Multilateral Development Banks	83,507	217,026	2,738	303,271
Corporate	5,063,213	5,571,781	9,081,897	19,716,891
Regulatory Retail	187,285	3,153,282	14,077,557	17,418,124
Residential Mortgages	10,085	136,605	19,572,777	19,719,467
Higher Risk Assets	–	21	4,225	4,246
Other Assets	1,941,202	–	882,864	2,824,066
Total for On-Balance Sheet Exposures	10,262,610	10,948,592	45,891,562	67,102,764
Off-Balance Sheet Exposures				
Credit-related Exposures	561,560	446,468	578,190	1,586,218
Derivative Financial Instruments	73,850	5,922	–	79,772
Total for Off-Balance Sheet Exposures	635,410	452,390	578,190	1,665,990
Total On and Off-Balance Sheet Exposures	**10,898,020**	**11,400,982**	**46,469,752**	**68,768,754**

4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(ii) Bank

31 December 2020 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	5,025,763	1,307,472	1,832,698	8,165,933
Public Sector Entities	126,850	672,694	801,096	1,600,640
Banks, Developments Financial Institutions and Multilateral Development Banks	307,219	201,040	2,634	510,893
Corporate	3,418,150	6,616,986	10,300,124	20,335,260
Regulatory Retail	60,071	3,035,247	16,438,456	19,533,774
Residential Mortgages	10,535	136,323	21,531,015	21,677,873
Higher Risk Assets	–	14	3,769	3,783
Other Assets	334,615	–	1,451,640	1,786,255
Total for On-Balance Sheet Exposures	9,283,203	11,969,776	52,361,432	73,614,411
Off-Balance Sheet Exposures				
Credit-related Exposures	512,097	581,139	393,713	1,486,949
Derivative Financial Instruments	143,217	5,414	–	148,631
Total for Off-Balance Sheet Exposures	655,314	586,553	393,713	1,635,580
Total On and Off-Balance Sheet Exposures	9,938,517	12,556,329	52,755,145	75,249,991

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown

(ii) Bank (continued)

31 December 2019 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	2,872,565	1,195,014	1,611,347	5,678,926
Public Sector Entities	104,753	674,863	658,157	1,437,773
Banks, Developments Financial Institutions and Multilateral Development Banks	83,083	217,026	2,738	302,847
Corporate	5,063,213	5,571,781	9,081,897	19,716,891
Regulatory Retail	187,285	3,153,282	14,077,557	17,418,124
Residential Mortgages	10,085	136,605	19,572,777	19,719,467
Higher Risk Assets	–	21	4,225	4,246
Other Assets	1,930,711	–	882,864	2,813,575
Total for On-Balance Sheet Exposures	10,251,695	10,948,592	45,891,562	67,091,849
Off-Balance Sheet Exposures				
Credit-related Exposures	561,560	446,468	578,190	1,586,218
Derivative Financial Instruments	73,850	5,922	–	79,772
Total for Off-Balance Sheet Exposures	635,410	452,390	578,190	1,665,990
Total On and Off-Balance Sheet Exposures	**10,887,105**	**11,400,982**	**46,469,752**	**68,757,839**

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in the calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM as per the CAFIB Guideline:

(a) Standard & Poor's ("S&P")
(b) Moody's Investors Services ("MOODY'S")
(c) Fitch Ratings ("FITCH")
(d) Rating Agency Malaysia Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and central banks
(b) Banking institutions
(c) Corporates

4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Unrated and Rated Counterparties

As a general rule, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor an issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least *pari passu* with the obligation that is rated, as stipulated in the CAFIB Guideline.

Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The below table summarises the rules governing the assignment of risk weights under the Standardised Approach:

Rating Category	S & P	MOODY'S	FITCH	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

The below table summarises risk weight mapping matrix for each credit quality rating category:

	Risk Weights Based on Credit Rating of the Counterparty Exposure Class				
			Banking Institutions		
Rating Category	Sovereign and Central Banks	Corporate	Maturity > 6 months	Maturity <= 6 months	Maturity <= 3 months
1	0%	20%	20%	20%	
2	20%	50%	50%	20%	
3	50%	100%	50%	20%	
4	100%	100%	100%	50%	20%
5	100%	150%	100%	50%	
6	150%	150%	150%	150%	
Unrated	100%	100%	50%	20%	

Under CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia are accorded a preferential sovereign risk weight of 0%.

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4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

(i) As at 31 December 2020

	Exposures After Netting & Credit Risk Mitigation (CRM)									
Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
0%	8,165,933	720,449	-	3,434,129	60,926	-	-	863,234	13,244,671	-
20%	-	204,553	609,193	4,392,176	231	-	-	-	5,206,153	1,041,231
35%	-	-	-	-	-	6,319,435	-	-	6,319,435	2,211,802
50%	-	561,814	5,761	3,860,407	403,363	4,555,665	-	-	9,387,010	4,693,505
75%	-	-	-	449,350	1,180,029	6,169,930	-	-	7,799,309	5,849,482
100%	-	167,431	-	8,693,848	17,817,354	4,802,963	-	939,663	32,421,259	32,421,259
150%	-	-	-	324,094	33,964	59,547	12,594	-	430,199	645,299
Total Exposures	8,165,933	1,654,247	614,954	21,154,004	19,495,867	21,907,540	12,594	1,802,897	74,808,036	46,862,578
RWA by Exposures	-	489,248	124,719	12,325,640	18,955,049	14,009,366	18,891	939,663	46,862,577	
Average Risk Weight	0.0%	29.6%	20.3%	58.3%	97.2%	63.9%	150.0%	52.1%	62.6%	
Deduction from Capital Base										

4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group (continued):

(ii) As at 31 December 2019

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)								Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000		
0%	5,679,746	716,516	–	4,065,891	44,621	–	–	1,934,331	12,441,105	–
20%	–	104,415	338,745	4,255,460	594	–	–	–	4,699,214	939,843
35%	–	–	–	–	–	6,211,609	–	–	6,211,609	2,174,063
50%	–	544,322	6,700	3,079,005	394,518	4,599,917	–	–	8,624,462	4,312,231
75%	–	–	–	800,878	1,248,186	3,969,536	–	–	6,018,600	4,513,950
100%	–	130,864	–	8,393,274	15,583,742	5,085,334	–	889,735	30,082,949	30,082,949
150%	–	1,754	–	233,323	42,958	61,406	13,131	–	352,572	528,858
Total Exposures	**5,679,746**	**1,497,871**	**345,445**	**20,827,831**	**17,314,619**	**19,927,802**	**13,131**	**2,824,066**	**68,430,511**	**42,551,894**
RWA by Exposures	–	426,539	71,099	11,734,512	16,781,696	12,628,617	19,697	889,735	42,551,894	
Average Risk Weight	0.0%	28.5%	20.6%	56.3%	96.9%	63.4%	150.0%	31.5%	62.2%	
Deduction from Capital Base										

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4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank:

(i) As at 31 December 2020

	Exposures After Netting & Credit Risk Mitigation (CRM)									
Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
0%	8,165,934	720,449	-	3,434,128	60,926	-	-	866,328	13,247,765	-
20%	-	204,553	609,110	4,392,176	231	-	-	-	5,206,070	1,041,214
35%	-	-	-	-	-	6,319,435	-	-	6,319,435	2,211,802
50%	-	561,814	5,761	3,860,407	403,363	4,555,665	-	-	9,387,010	4,693,505
75%	-	-	-	449,350	1,180,029	6,169,930	-	-	7,799,309	5,849,482
100%	-	167,431	-	8,693,848	17,817,354	4,802,963	-	919,927	32,401,523	32,401,523
150%	-	-	-	324,094	33,964	59,547	12,594	-	430,199	645,299
Total Exposures	8,165,934	1,654,247	614,871	21,154,003	19,495,867	21,907,540	12,594	1,786,255	74,791,311	46,842,825
RWA by Exposures	-	489,249	124,703	12,325,640	18,955,049	14,009,366	18,891	919,927	46,842,825	
Average Risk Weight	0.0%	29.6%	20.3%	58.3%	97.2%	63.9%	150.0%	51.5%	62.6%	
Deduction from Capital Base										

4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank (continued):

(ii) As at 31 December 2019

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)									
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
0%	5,679,746	716,516	–	4,065,891	44,621	–	–	1,938,713	12,445,487	–
20%	–	104,415	338,621	4,255,460	594	–	–	–	4,699,090	939,818
35%	–	–	–	–	–	6,211,609	–	–	6,211,609	2,174,063
50%	–	544,322	6,400	3,079,005	394,518	4,599,917	–	–	8,624,162	4,312,081
75%	–	–	–	800,878	1,248,186	3,969,536	–	–	6,018,600	4,513,950
100%	–	130,864	–	8,393,274	15,583,742	5,085,334	–	874,862	30,068,076	30,068,076
150%	–	1,754	–	233,323	42,958	61,406	13,131	–	352,572	528,858
Total Exposures	**5,679,746**	**1,497,871**	**345,021**	**20,827,831**	**17,314,619**	**19,927,802**	**13,131**	**2,813,575**	**68,419,596**	**42,536,846**
RWA by Exposures	–	426,539	70,924	11,734,512	16,781,696	12,628,617	19,697	874,862	42,536,846	
Average Risk Weight	0.0%	28.5%	20.6%	56.3%	96.9%	63.4%	150.0%	31.1%	62.2%	
Deduction from Capital Base										

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4. CREDIT RISK (CONTINUED)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI

a) Ratings of Sovereigns and Central Banks by Approved ECAIs

31 December 2020 Exposure Class		Ratings of sovereigns and central banks by approved ECAIS					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		-	8,165,933	-	-	-	-
Total		**-**	**8,165,933**	**-**	**-**	**-**	**-**

31 December 2019 Exposure Class		Ratings of sovereigns and central banks by approved ECAIS					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Sovereign and Central Banks*		-	5,679,746	-	-	-	-
Total		**-**	**5,679,746**	**-**	**-**	**-**	**-**

* *These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.*

b) Ratings of Corporate by Approved ECAIs

31 December 2020 Exposure Class		Ratings of corporate by approved ECAIS				
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAMs	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		204,552	-	-	-	1,449,694
Insurance Cos, Securities Firms & Fund Manager						
Corporate		4,069,429	27,707	83,259	-	16,968,321
Total		**4,273,981**	**27,707**	**83,259**	**-**	**18,418,015**

4. CREDIT RISK (CONTINUED)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI (continued)

b) Ratings of Corporate by Approved ECAIs (continued)

31 December 2019 Exposure Class	Ratings of corporate by approved ECAIS					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B+ to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAMs	AAA to AA3	A to A3	BBB to BB	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		104,415	-	-	-	1,393,457
Insurance Cos, Securities Firms & Fund Manager		-	-	-	-	-
Corporate		3,972,160	36,311	91,708	-	16,727,652
Total		**4,076,575**	**36,311**	**91,708**	**-**	**18,121,109**

c) Ratings of Banking Institutions by Approved ECAIs

31 December 2020 Exposure Class	Ratings of banking institutions by approved ECAIS						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAMs	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		**450,463**	**5,526**	**-**	**-**	**-**	**158,965**
Total		**450,463**	**5,526**	**-**	**-**	**-**	**158,965**

31 December 2019 Exposure Class	Ratings of banking institutions by approved ECAIS						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1+ to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAMs	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		282,848	1,249	-	-	-	60,923
Total		**282,848**	**1,249**	**-**	**-**	**-**	**60,923**

Note: There are no exposures under Short-term ratings for the period under review.

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4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM)

As a first way out, the assessment of credit when granting a financing facility is based on a particular customer's cash flows as the main source of payment and not on the collateral offered. However, the acceptance of tangible security as collateral would offer a second way out in the event of business failure thereby improving recovery rates.

The types of collaterals accepted by the Group would have an impact on the calculation of the Group's capital adequacy as the quality and the type of collaterals determine whether the Group is able to obtain capital relief and the extent of such relief. Capital relief is defined as the assignment of a lower or zero risk weight to the counterparty exposure by setting off or reducing the counterparty exposure against the collateral value.

The main types of collaterals obtained by the Group to mitigate credit risks are as follows:

(a) Cash on lien
(b) Landed property
(c) Shariah compliant quoted shares and unit trusts
(d) Malaysian Federal Government Securities
(e) Rated/Unrated Islamic Securities/Sukuk
(f) Guarantee

The reliance that can be placed on CRM is carefully assessed in light of issues such as compliance with Shariah rules and principles, legal enforceability, market value and counterparty credit risk of the guarantor. The Group has put in place policies and procedures which govern the determination of eligibility of various collaterals to protect the Group's position from the onset of a customer relationship on the CRM, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

In order to obtain a fair assessment of collateral securing the financing facility, a valuation is performed periodically ranging from weekly to annually, depending on the type, liquidity and volatility of the collateral value.

In mitigating the counterparty credit risks arising from foreign exchange and derivatives transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between the two parties, creates a greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM) (continued)

The Group manages its credit risk concentrations by diversifying its portfolios through several measures. The Group monitors credit risk limits via, among others, sector limits, programme limits, deviation limits and Single Counterparty Exposure Limits (SCEL). The following tables disclose the extent to which exposures are covered by eligible credit risk mitigants.

Disclosure of Credit Risk Mitigation (CRM):

31 December 2020 Exposure class	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial and non-financial collateral RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	**8,165,933**	–	–
Public Sector Entities	**1,600,640**	–	**26,565**
Banks, DFIs and MDBs	**510,893**	–	–
Corporates	**19,584,934**	**540,901**	**1,226,255**
Regulatory Retail	**19,456,153**	**56,341**	**100,260**
Residential Mortgages	**21,610,415**	**453**	**100,804**
Higher Risk Assets	**3,783**	–	–
Other Assets	**1,786,255**	–	–
Defaulted Exposures	**895,405**	**121,080**	**81,717**
Total for On-Balance Sheet Exposures	**73,614,411**	**718,775**	**1,535,601**
Off-Balance Sheet Exposures			
Credit-related Exposures	**1,461,127**	**13,733**	**10,523**
Derivative Financial Instruments	**148,631**	–	–
Defaulted Exposures	**25,822**	–	–
Total for Off-Balance Sheet Exposures	**1,635,580**	**13,733**	**10,523**
Total On and Off-Balance Sheet Exposures	**75,249,991**	**732,508**	**1,546,124**

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4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM) (continued)

Disclosure of Credit Risk Mitigation (CRM) (continued):

31 December 2019 Exposure class	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial and non-financial collateral RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	5,678,926	–	–
Public Sector Entities	1,436,018	–	7,127
Banks, DFIs and MDBs	302,847	–	–
Corporates	19,213,079	859,456	874,834
Regulatory Retail	17,344,379	41,971	155,619
Residential Mortgages	19,642,414	455	102,143
Higher Risk Assets	4,246	–	–
Other Assets	2,813,575	–	–
Defaulted Exposures	656,364	97,715	71,738
Total for On-Balance Sheet Exposures	67,091,848	999,597	1,211,461
Off-Balance Sheet Exposures			
Credit-related Exposures	1,571,531	10,368	21,795
Derivative Financial Instruments	79,772	–	–
Defaulted Exposures	14,687	1,303	–
Total for Off-Balance Sheet Exposures	1,665,990	11,671	21,795
Total On and Off-Balance Sheet Exposures	**68,757,838**	**1,011,268**	**1,233,256**

4. CREDIT RISK (CONTINUED)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank

(i) As at 31 December 2020

Nature of item	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted asset RM'000
Credit related Exposures				
Direct credit substitutes	449,506		449,506	442,426
Assets sold with recourse	-		-	-
Transaction related contingent items	899,541		449,770	436,481
Short term self-liquidating trade related contingencies	592,744		118,549	117,165
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	-		-	-
- exceeding one year	938,247		469,124	362,317
Unutilised credit card lines	-		-	-
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	8,676,980		-	-
	11,557,018		1,486,949	1,358,389
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	8,518,422	59,494	143,217	60,587
- one year to less than five years	-	-	-	-
- Five years and above	-	-	-	-
Profit rate related contracts				
- less than one year	-	-	-	-
- one year to less than five years	114,056	2,171	5,414	4,045
- five years and above	-	-	-	-
Equity related contracts				
- less than one year	-	-	-	-
- one year to less than five years	-	-	-	-
- Five years and above	-	-	-	-
	8,632,478	61,665	148,631	64,632
Total	20,189,496	61,665	1,635,580	1,423,021

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4. CREDIT RISK (CONTINUED)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (continued)

(ii) As at 31 December 2019

Nature of item	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted asset RM'000
Credit related Exposures				
Direct credit substitutes	416,059		416,059	413,653
Assets sold with recourse	–		–	–
Transaction related contingent items	930,689		465,344	442,978
Short term self-liquidating trade related contingencies	603,739		120,748	120,588
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	–		–	–
– exceeding one year	1,168,133		584,067	433,070
Unutilised credit card lines	–		–	–
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	7,892,943		–	–
	11,011,563		1,586,218	1,410,289
Derivative Financial Instruments				
Foreign exchange related contracts				
– less than one year	6,255,520	31,626	72,532	38,011
– one year to less than five years	–	–	–	–
– Five years and above	–	–	–	–
Profit rate related contracts				
– less than one year	–	–	–	–
– one year to less than five years	147,098	1,700	7,240	4,886
– five years and above	–	–	–	–
Equity related contracts				
– less than one year	–	–	–	–
– one year to less than five years	–	–	–	–
– Five years and above	–	–	–	–
	6,402,618	33,326	79,772	42,897
Total	**17,414,181**	**33,326**	**1,665,990**	**1,453,186**

5. MARKET RISK

5.1 Overview

All the Group's financial instruments are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. The following are the main market risk factors that the Group is exposed to:

- **Profit Rate Risk:** also known as the Rate of Return Risk is the potential impact on the Group's profitability caused by changes in the rate of return, due to general market movements or issuer/customer specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group's currency positions;
- **Equity Investment Risk:** the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values;

The Group separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Board approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Group's profit rate management of the Group's asset & liabilities and investment portfolio mainly for liquidity management.

5.2 Market Risk Governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by Asset & Liability Committee ("ALCO") and/or BRC, guided by the Board's approved Risk Appetite Statement Policy.

ALCO is responsible under the authority delegated by BRC for managing market risk at strategic level.

5.3 Management of Market Risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

Market Risk Management Department ("MRMD") is an independent risk control function and is responsible for ensuring effective implementation of market risk management framework. MRMD is also responsible for developing and reviewing the Group's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/or BRC. In addition, the market risk exposures and limits are regularly reported to ALCO and BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include regular stress testing, ad-hoc simulations and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's profitability, capital adequacy and liquidity. The stress test provides the Management and BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group.

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5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

a) Profit rate risk in the banking book portfolio

Profit rate risk in the banking book portfolio is managed and controlled using measurement tools known as Earnings-at-Risk ("EaR") and Economic Value of Equity ("EVE"). The Group monitors the sensitivity of EaR and EVE under varying profit rate scenarios (i.e. simulation modelling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively manage and strategise to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Group's hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Group's and Bank's profit rate sensitivity to a 100 basis points parallel shift as at reporting date.

	31 December 2020 (Decrease) / Increase		31 December 2019 (Decrease) / Increase	
Group	-100bps RM million	+100bps RM million	-100bps RM million	+100bps RM million
Impact on EaR	**(131.4)**	**131.4**	(119.6)	119.6
Impact on EVE	**241.0**	**(241.0)**	226.1	(226.1)

	31 December 2020 (Decrease) / Increase		31 December 2019 (Decrease) / Increase	
Bank	-100bps RM million	+100bps RM million	-100bps RM million	+100bps RM million
Impact on EaR	**(131.4)**	**131.4**	(119.4)	119.4
Impact on EVE	**240.9**	**(240.9)**	225.5	(225.5)

5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

b) Market Risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and managed using Value-at-Risk ("VaR"). It is a technique that estimates the potential losses that could occur as a result of market rates movements over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on historical simulation which derives plausible future scenarios from the past series of recorded market rates and prices. The historical simulation model used by the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank's trading book portfolios as at the reporting date is as follows:

	As at 31.12.2020	1.1.2019 to 31.12.2020		
Bank	RM million	Average RM million	Maximum RM million	Minimum RM million
Profit Rate Risk	**2.76**	**1.88**	**3.32**	**0.01**
Foreign Exchange Risk	**0.42**	**0.47**	**1.02**	**0.23**
Overall	**3.18**	**2.36**	**3.89**	**0.36**

	As at 31.12.2019	1.1.2018 to 31.12.2019		
Bank	RM million	Average RM million	Maximum RM million	Minimum RM million
Profit Rate Risk	0.33	1.07	1.60	0.03
Foreign Exchange Risk	0.34	0.47	0.94	0.21
Overall	0.67	1.54	2.26	0.30

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5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

c) Foreign Exchange Risk

The Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. For the Bank-wide (trading and banking portfolios) foreign exchange risk, the Bank manages and controls by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

The Bank has a sensitivity limit for managing the foreign exchange risk in place. The foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as "Others"):

Bank	31 December 2020		31 December 2019	
	-1% Depreciation RM'000	+1% Appreciation RM'000	-1% Depreciation RM'000	+1% Appreciation RM'000
US Dollar	**8,844**	**(8,844)**	11,611	(11,611)
Euro	**5,072**	**(5,072)**	4,591	(4,591)
Others	**(194)**	**194**	(279)	279

5.4 Capital Treatment for Market Risk

The Group adopts the Standardised Approach to compute the market risk capital requirement under BNM's CAFIB.

6. LIQUIDITY RISK

6.1 Overview

Liquidity risk is the potential inability of the Group to meet its funding needs and regulatory obligation when they fall due, or will have to do it at excessive cost. This risk can arise from mismatches in the timing of cash flows.

The Group maintains a diversified and stable funding base comprising retail and corporate customer deposits. This is augmented by wholesale funding and highly liquid assets portfolios.

The objectives of the Group's liquidity management are to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Savings accounts, current accounts, investment accounts (IA) and term deposits form a critical part of the Group's funding profile and the Group places considerable importance on maintaining their stability. The stability depends upon preserving depositors' confidence in the Group and the Group's capital strength and liquidity, and on competitive and transparent pricing.

6. LIQUIDITY RISK (CONTINUED)

6.1 Overview (continued)

The Group's liquidity management is primarily carried out in accordance with the Bank Negara Malaysia's requirements and the internal limits approved by ALCO and/or BRC. The limits vary taking into account the depth and liquidity of the market in which the Group operates. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced, and all obligations are met when due.

The Group's liquidity management process includes:

- Daily projection of cash flows and ensuring that the Group has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

6.2 Liquidity Risk Governance

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/or BRC, guided by the Board's approved Risk Appetite Statement Policy. ALCO is responsible under the authority delegated by BRC for managing liquidity risk at strategic level.

6.3 Management of Liquidity Risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated on a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

MRMD is an independent risk control function and is responsible for ensuring efficient implementation of liquidity risk framework. It is also responsible for developing the Group's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/or BRC, with proper authorities to ratify or approve the excess. In addition, the liquidity risk exposures and limits are regularly reported to ALCO and BRC.

Stress testing and scenario analysis are important tools used by the Group to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress-testing provides the Management and BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group.

Another key control feature of the Group's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on actions to be taken in order to minimise the adverse implications to the Group.

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7. OPERATIONAL RISK

7.1 Overview

Operational Risk is defined as the "risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk".

It is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank's risk management programme.

7.2 Operational Risk Governance

The Group's operational risk management ("ORM") is guided by its ORM Policy, Guideline and Enterprise-Wide Risk Management Policy as well as its Risk Appetite Statement Policy which are designed to provide a sound and well-controlled operational environment within the Group.

BRC is a committee of Board to oversee the Management's activities in managing risks for the Group, including operational risk. Its roles with regard to ORM include reviewing and recommending ORM Policy, strategies and risk appetite for Board's approval.

MRCC, under the authority delegated by BRC is responsible to perform the oversight functions and to ensure effective management of issues relating to operational risk at strategic level. Operational Risk Control Committee ("ORCC") which is a sub-committee of MRCC is primarily responsible in ensuring effective implementation and maintenance of policies, processes and systems for managing operational risk for the Group.

Notwithstanding the above, the various Business & Support Units ("BU/SU") are responsible for managing operational risk within their respective domains on a day-to-day basis and ensuring that their business & operational activities are carried out within the established ORM policies, guidelines, procedures and limits. To reinforce accountability and ownership of risk & control at BU/SU level, a Risk Controller ("RC") for each BU/SU is appointed and Embedded Risk and Compliance Unit ("ERU") is established at selected BU/SU to assist in driving the risk & control programme for the Group.

Ultimately, all staff of the Group is to ensure they properly discharge their day-to-day responsibilities and are well-equipped with the necessary knowledge including the policies and procedures in executing their job functions. This is in line with our Risk Management Tagline, i.e. "Managing Risk is Everyone's Business".

7. OPERATIONAL RISK (CONTINUED)

7.3 Management of Operational Risk

The Group recognises and emphasises the importance of ORM and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established ORM policies, guidelines, procedures and limits.

The Group's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

a) **1st Line of Defence –** The risk owner or risk-taking unit i.e. BU/SU is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. To reinforce accountability and ownership of risk and control within 1st Line of Defence, the RC is appointed for each BU/SU and ERU is established at selected BU/SU.

   2nd Line of Defence – The Operational Risk Management Department ("ORMD") is responsible for establishing and maintaining the ORM Policy and its supporting guidelines/manuals, developing methodologies and various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, assessing operational risk issues from the risk owner and escalating operational risk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group. Shariah Risk Management Unit ("SRMU"), which forms part of ORMD, is responsible for managing the Shariah non-compliance risk ("SNCR") by establishing and maintaining appropriate Shariah Risk Management (SRM) guidelines, facilitating the process of identifying, assessing, controlling and monitoring SNCR and promoting SNCR awareness.

   Compliance Division, which includes Shariah Compliance Department and Information Security & Governance Division ("ISGD") complement the role of ORMD as the 2nd Line of Defence.

   Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk, corruption risk, money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programmes as well as conducting trainings that promote awareness creation. Shariah Compliance Department under Compliance Division is responsible for reviewing and monitoring Shariah compliance of the Group's operations, activities and services at BU/SU level.

   ISGD is responsible in managing information technology risk by establishing, maintaining and enforcing information technology risk policies/guidelines and it works closely with Information Technology Division in identifying, assessing, mitigating and monitoring of information technology risk in the Bank.

b) **3rd Line of Defence –** Internal Audit including Shariah Audit Department provides independent assurance to the Board and senior management on the effectiveness of the ORM and SRM process.

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7. OPERATIONAL RISK (CONTINUED)

7.4 ORM Tools & Mitigation Strategies

The Group employs various tools comprising proactive and reactive tools which are in line with the best practices in managing and mitigating its, namely:

Overview of ORM Tools				
Proactive Tools				Reactive Tools
Risk Control Self-Assessment	Key Risk Indicator	Operational Risk Review	New Product Services Approval Process	Risk Loss Event Management & Reporting
• Self-assessment to identify and assess operational risks by Risk Owners; • The tool creates ownership and increases operational risk awareness.	• A forward-looking tool to identify potential risks and to enable counter measures and risk mitigation actions before an incident occurs (early warning system); • To assist management to focus on high-risk issues.	• End-to-end review of activities to identify risks and ensure appropriate controls are in place and are effective; • To ensure controls are aligned with RCSA and able to mitigate the identified risk.	• To ensure risks are identified and adequate controls are in place prior to launching of new product/ services.	• Centralised group-wide loss database which provides line of business loss reporting overview, tracks frequency of events and facilitates detailed reviews of the incident and its impact.
Risk Analysis & Reporting				
• Analysis and reporting of qualitative and quantitative results from various ORM tools.				
Scenario Analysis				
• A systematic and forward-looking tool of obtaining expert opinions to derive new risks, test the efficiency of existing controls and highlights unexpected risks.				

In addition, a comprehensive Business Continuity Management ("BCM") function has been established within the Group to ensure that in the event of material disruptions from internal or external events, critical business functions can be maintained or restored in a timely manner. This ensures minimal adverse impact on customers, staff and products and services. BCM constitutes an essential component of the Group's risk management process by providing a controlled response to potential operational risk that could have a significant impact on the Group's critical processes and revenue streams.

7. OPERATIONAL RISK (CONTINUED)

7.4 ORM Tools & Mitigation Strategies (continued)

As part of the risk transfer strategy, the Group obtains a 3rd party Takaful coverage to cover for the Group's high impact loss events.

The Group also ensures that the group-wide Operational Risk awareness programme is conducted on an ongoing basis. This training programme emphasises on inculcating an operational risk culture among staff, effective implementation of ORM tools, fraud awareness, BCM and other aspects of ORM.

7.5 Capital Treatment for Operational Risk

Operational Risk capital charge is calculated using the BIA as per BNM's CAFIB. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

8. SHARIAH GOVERNANCE

8.1 Overview

By virtue of BNM's Shariah Governance Policy Document ("SGPD"), the Group has established a sound and robust Shariah governance framework with the emphasis placed on the roles of its key functionalities, which include having in place an effective and responsible Board and Management and an independent Shariah Supervisory Council ("SSC") that is supported by strong and competent internal Shariah functions.

To date, the Group has put in place the Shariah Compliance Policy to communicate the comprehensive of Shariah governance framework to ensure the Group's business activities and behaviours are in compliance with Shariah rules and principles, provisions of the Islamic Financial Services Act ("IFSA") 2013, BNM's SGPD and its other rules and regulations, and the resolutions of BNM and Securities Commission ("SC")'s Shariah Advisory Council and the SSC.

8.2 Shariah Risk Management

The Group's Shariah risk management as part of operational risk management is guided by Operational Risk Management ("ORM") Policy and Guidelines which set out the high-level framework supporting the Shariah Compliance Policy and detail out the Shariah risk management processes and tools. The policy and guidelines serve to provide a consistent group-wide framework for managing SNCR across the Group.

In addition to this, the Risk Loss Event Management and Reporting (''RLEMR") Guideline provides sound mechanism on Shariah non-compliance ("SNC") management and reporting in order to ensure the Group strictly complies with Shariah rules and principles as well as the regulatory requirements. The guideline has been established to be in line with the mechanism set out by BNM's Operational Risk Reporting Requirement – Operational Risk Integrated Online Network ("ORION") and to ensure compliance with section 28(3) of the IFSA 2013 which requires any SNC event to be immediately reported to BNM. Additionally, pursuant to this guideline, any actual SNC events caused by operational lapses including negligence, breach of policies and lack of due care by staff may be subject to disciplinary action.

Being part of operational risk, the Shariah risk management leverages on the same ORM principles, processes and tools. The responsibility of managing SNCR is spearheaded by the Group's Shariah Risk Management Unit ("SRMU"). In general, all ORM tools are extended to the process of managing SNCR. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SNCR.

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8. SHARIAH GOVERNANCE (CONTINUED)

8.2 Shariah Risk Management (continued)

Extensive and continuous Shariah risk awareness initiatives have been conducted for the Group's staff including Shariah sessions for Risk Controllers ("RC") namely Shariah Town Hall sessions where the sessions updated the RCs on new Shariah requirements/rulings issued either by Shariah Division, the SSC or the regulators or upon any occurrence of Shariah non–compliance event. In year 2020, 6 Shariah risk awareness sessions were conducted which gathered almost all sale personnel from branches. Apart from that, it is compulsory for all staff to participate in Shariah training via e-Learning every two years as a refresher course.

8.3 Shariah Non-Compliance ("SNC") Events

An SNC event is a result of the Group's failure to comply with the Shariah rules and principles determined by the SSC.

Throughout the year 2020, there was one (1) incident confirmed by the SSC as SNC event. The SNC event was due to lack of awareness on related Shariah requirements for products offered. The Group, from time to time, makes efforts to prevent similar Shariah breaches from recurring by issuing reminders, conducting on-going awareness trainings, as well as putting additional controls to ensure compliance with Shariah requirements.

8.4 Shariah Non-Compliant Income

31 December 2020	31 December 2019
RM59,960.47	RM89,339.69

The main contributors of the SNC income are:

Commissions from third party investment product offering (RM52,645.36) and commissions from Shariah non-compliant merchants of card business (RM7,226.61). The amount was disposed to charitable causes upon Shariah Supervisory Council's approval.

All SNC events and rectification plans were presented and approved by Board/SSC and reported to BNM in accordance with the prescribed reporting requirement by the regulator.

9. INVESTMENT ACCOUNT

9.1 Overview

Islamic Financial Services Act 2013 ("IFSA") distinguishes investment account (IA) from Islamic deposits, where Shariah contracts that need to be applied for IA products are non-principal guaranteed, while Shariah contracts for deposit products are principal guaranteed.

In line with the implementation of the IFSA, the Group has developed investment account products based on Mudarabah and Wakalah contracts.

Mudarabah is a contract between a customer as capital provider and the Group as an entrepreneur under which the customer provides capital to be managed by the Group and any profit generated is shared according to a mutually agreed profit sharing ratio (PSR) whilst financial losses are borne by the customer provided that such losses are not due to the Group's misconduct, negligence or breach of specified terms.

9. INVESTMENT ACCOUNT (CONTINUED)

9.1 Overview (continued)

Wakalah refers to a contract where a customer, as the principal, authorises the Group as his agent to perform a particular task on matters that may be delegated i.e. investment, with or without imposition of a fee. In this context, the Shariah contract applied is Wakalah bi al-istithmar (Wakalah for the purpose of investment).

In terms of offering, the Group currently has the following two categories of IA:

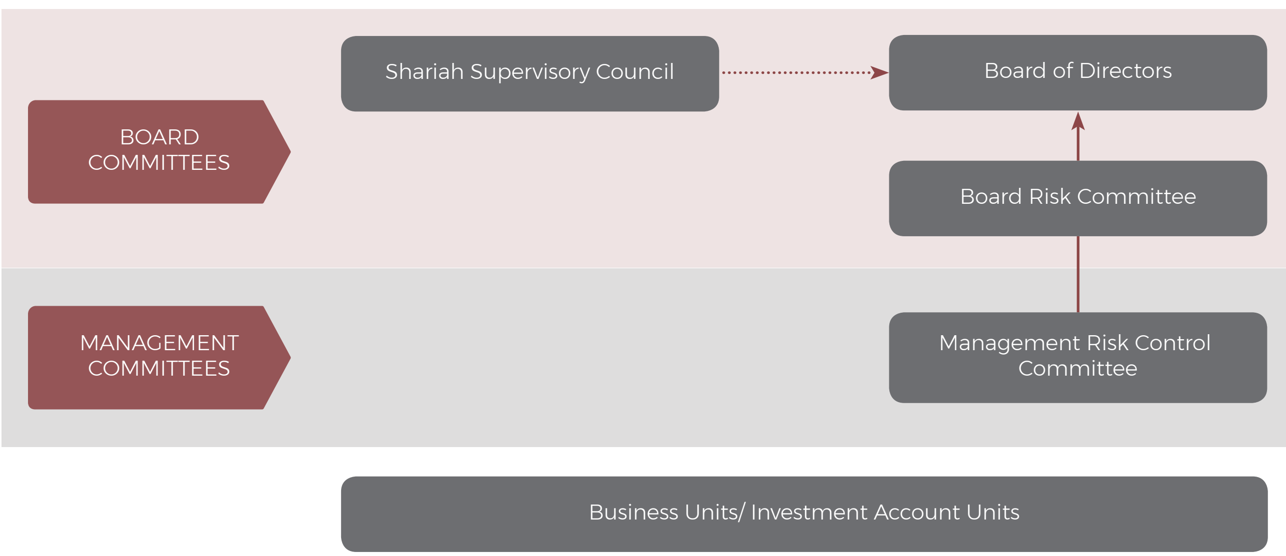
Unrestricted Investment Account (UA)	Restricted Investment Account (RA)
Unrestricted Investment Account refers to a type of investment account whereby the customer/Investment Account Holder (IAH), without specifying any particular restrictions or conditions, provides the Group with the mandate to make the ultimate decision to invest.	Restricted Investment Account (RA) refers to an IA where the IAH provides a specific investment mandate to the Group. The Group also offers RA via Investment Account Platform (IAP) initiated by BNM.

IA product is not capital guaranteed and is not protected by the Perbadanan Insurans Deposit Malaysia (PIDM). The IAHs are made informed of the risks associated with IA which include but not limited to the following:

- Market risk – Invested assets are subjected to fluctuations in the market rates. This may negatively impact the overall income performance of the fund.
- Liquidity risk – This risk occurs if withdrawal/redemption exceeds total investment.
- Credit risk – This arises when substantial amount of the asset tagged to the fund turns default.
- Operational risk – This risk may arise due to failed internal processes or system.
- Legal risk – Such risk may arise from improper product documentation which may expose the Bank to legal action by IAH.

9.2 Governance Structure

To safeguard the IAH's interest, the investment mandate, strategy and parameter are carried out in accordance to the Group's governance set-up. The IA governance structure adopted by the Group is as depicted in the following diagram:



PILLAR 3 DISCLOSURE
as at 31 December 2020

9. INVESTMENT ACCOUNT (CONTINUED)

9.2 Governance Structure (continued)

The roles and responsibilities of the above respective committees are as follows:

Committee	Responsibility
Board of Directors (Board)	Responsible to establish an effective governance arrangement to facilitate effective monitoring and control of the overall management and conduct of the IA. The adequacy of the governance arrangement shall commensurate with the nature, scale, complexity and risk profile associated with the conduct of the IA.
Board Risk Committee (BRC)	Assists the Board in performing independent oversight and provides recommendations in respect of the management, operations and performance of the IA, as well as to play the role of Board Investment Committee.
Shariah Supervisory Council	Advises and provides clarification on relevant Shariah rulings, decisions or policies on Shariah matters and endorses the terms and conditions stipulated in IA documentation and ensures that information published is in compliance with Shariah.
Management Risk Control Committee	Assists BRC in performing independent oversight and provides recommendations in respect of the management, operations and performance of the IA.

9.3 IA Performance

	31 December 2020	31 December 2019
	RM'000	RM'000
Gross Exposure: Financing funded by UA	**RM12,368,896,784.16**	RM10,240,372.64
	%	%
Return on Assets ("ROA")	**4.42%**	5.44%
Average Net Distributable Income	**4.06%**	5.14%
Average/Proportion Net Distributable Income Attributable to the IAH	**1.93%**	2.41%
Average Profit Sharing Ratio/Return to the IAH	**47.56%**	46.94%
	RM'000	RM'000
Impaired assets/financing funded by UA (bank-wide)	**373,233.77**	433,001.03
Total allowance for UA	**40,354.48**	21,485.95
Collective allowance provisions funded by UA	**NA**	NA
Individual allowance provisions funded by UA	**NA**	NA

CHIEF EXECUTIVE OFFICER ATTESTATION

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad's Pillar 3 Disclosure report for the financial year ended 31 December 2020 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.

Mohd Muazzam Mohamed
Chief Executive, Bank Islam Malaysia Berhad

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CENTRAL REGION

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KUALA LUMPUR

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- **BANDAR WAWASAN**
  Tel : (6) 03 2694 8175 / 8192 / 8244
  Fax : (6) 03 2694 8291
- **BUKIT DAMANSARA**
  Tel : (6) 03 2092 1064 / 1066 / 1067
  Fax : (6) 03 2092 1072
- **JALAN TUN RAZAK**
  Tel : (6) 03 2161 1333 / 1340 / 1341
  Fax : (6) 03 2161 1360 / 2164 8450
- **KL SENTRAL**
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  (6) 03 2274 9901 / 6430
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- **MEDAN MARA**
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  (6) 03 2691 9086 / 9088
  Fax : (6) 03 2692 1890
- **MENARA BANK ISLAM**
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  (6) 03 2166 0797
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- **MENARA TM**
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  Fax : (6) 03 2240 2391
- **SEMARAK**
  Tel : (6) 03 2681 0042 / 0049 / 0057
  Fax : (6) 03 2681 0076
- **SELAYANG**
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  Fax : (6) 03 6137 9199
- **SERI PETALING**
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  Fax : (6) 03 9056 2982
- **TAMAN MELAWATI**
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  Fax : (6) 03 4107 7181
- **TAMAN TUN DR ISMAIL**
  Tel : (6) 03 7726 5744
  (6) 03 7728 7894 / 5270
  Fax : (6) 03 7722 4539
- **UIAM, GOMBAK**
  Tel : (6) 03 6185 3150 / 3262 / 3282
  Fax : (6) 03 6185 3402
- **UNIVERSITI MALAYA**
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  Fax : (6) 03 7960 4320
- **WANGSA MAJU**
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SELANGOR

- **AMPANG**
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- **BANDAR BARU BANGI**
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- **BANDAR KINRARA**
  Tel : (6) 03 8079 1601 / 1602 / 1603
  Fax : (6) 03 8079 1604

- **BANTING**
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  Fax : (6) 03 3187 3776

- **BANGI 2**
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  Fax : (6) 03 8912 5971

- **BUKIT JELUTONG**
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  Fax : (6) 03 7847 3714

- **CYBERJAYA**
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  Fax : (6) 03 8319 3494

- **DENAI ALAM**
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  Fax : (6) 03 7734 5602

- **KAJANG**
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  Fax : (6) 03 8736 2362

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  (6) 03 7803 8190
  Fax : (6) 03 7806 1214

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- **RAWANG**
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- **SAUJANA UTAMA**
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  Fax : (6) 03 5541 0259

- **SEMENYIH**
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  Fax : (6) 03 8723 4631

- **SETIA ALAM**
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  Fax : (6) 03 3362 3216

- **SHAH ALAM**
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- **SRI GOMBAK**
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  Fax : (6) 03 6185 9675

- **SUBANG JAYA**
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  Fax : (6) 03 8023 2140

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- **SUNGAI BULOH**
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- **TANJUNG KARANG**
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- **UiTM SHAH ALAM**
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- **IFiC PUTRAJAYA**
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NORTHERN REGION

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2 1st Floor, 21 & 23
Jalan Taman Meru
Utama A1
Medan Meru Utama
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Fax : (6) 05 527 7706

PERLIS

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KEDAH

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  Fax : (6) 04 733 5128

- **BALING**
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- **GUAR CHEMPEDAK**
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  (6) 04 966 5191
  Fax : (6) 04 966 2469

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  Fax : (6) 04 782 1022

- **SIK**
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  Fax : (6) 04 469 2142

- **SUNGAI LIMAU, YAN**
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  Fax : (6) 04 768 1042

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  (6) 04 423 8752
  Fax : (6) 04 421 3912

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  Fax : (6) 04 540 3152

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  Fax : (6) 04 642 5098

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  (6) 04 262 0626
  Fax : (6) 04 262 2594

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  Fax : (6) 04 575 3986

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  Fax : (6) 05 527 7706

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  Fax : (6) 05 716 4495

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  Fax : (6) 05 371 6023

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  Fax : (6) 05 688 1672

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  Fax : (6) 05 806 5436

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Pahang
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20200 Kuala Terengganu
Terengganu
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KELANTAN

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  Fax : (6) 09 912 1772
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  (6) 09 743 8825
  Fax : (6) 09 743 8826
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  Fax : (6) 09 764 0057
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  Fax : (6) 09 975 2900
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  Fax : (6) 09 790 0752
- **PASIR PUTEH**
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  Fax : (6) 09 786 0068
- **PASIR TUMBOH**
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  Fax : (6) 09 764 6077
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- **WAKAF BHARU**
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PAHANG

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- **JENGKA**
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  (6) 09 466 4153
  Fax : (6) 09 466 2891
- **JERANTUT**
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  (6) 09 266 9380 / 9381
  Fax : (6) 09 266 6380
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  Fax : (6) 09 414 6074
- **KUANTAN**
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  Fax : (6) 09 513 3369
- **PEKAN**
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  Fax : (6) 09 422 8818
- **PUTRA SQUARE**
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  Fax : (6) 09 517 3235
- **RAUB**
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  Fax : (6) 09 355 8302
- **TEMERLOH**
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  Fax : (6) 09 296 5300

TERENGGANU

- **CHUKAI**
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- **DUNGUN**
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- **JERTEH**
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  Fax : (6) 09 697 1592
- **KUALA TERENGGANU**
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  (6) 09 622 4780
  (6) 09 623 4537
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2 JC 526 & 527, Tingkat 1
Jalan Bestari 5, 77200 Jasin
Melaka
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JOHOR

- **AUSTIN HEIGHT**
  Tel : (6) 07 364 3070 / 3081 / 3293
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- **BANDAR PENAWAR**
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  Fax : (6) 07 822 2806
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  Tel : (6) 07 431 9350 / 9352 / 8927
  Fax : (6) 07 431 9351
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  Fax : (6) 07 223 7032
- **JOHOR BAHRU**
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  Fax : (6) 07 224 0243
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  (6) 07 882 6205
  Fax : (6) 07 882 4485
- **KULAIJAYA**
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  Fax : (6) 07 663 3208
- **MERSING**
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  (6) 07 799 6608
  Fax : (6) 07 799 5077
- **MUAR**
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  Fax : (6) 06 952 8304
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  Fax : (6) 07 252 6676
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  (6) 07 686 5666
  Fax : (6) 07 688 3660
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  (6) 07 932 2873
  Fax : (6) 07 932 4273
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  Fax : (6) 07 239 5980
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  Fax : (6) 07 234 5230

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- **BANDAR MELAKA**
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- **NILAI**
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  Fax : (6) 06 799 6217
- **PORT DICKSON**
  Tel : (6) 06 647 4330
  (6) 06 646 3281
  Fax : (6) 06 647 5657
- **SENAWANG**
  Tel : (6) 06 678 2731 / 2732 / 2733
  Fax : (6) 06 678 2734
- **SEREMBAN**
  Tel : (6) 06 762 9814 / 9815 / 9816 /
  (6) 06 762 9817
  Fax : (6) 06 763 8391
- **TAMPIN**
  Tel : (6) 06 441 4131 / 4132 / 4133
  Fax : (6) 06 441 7479
- **BANDAR ENSTEK**
  Tel : (6) 06 799 6484 / 6485 / 6486
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Sabah
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2. Lot 423 – 426, Bangunan Aiman
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(6) 082 416 215
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(6) 082 235 521

SABAH

- **ALAMESRA**
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Fax : (6) 088 487 980

- **KOTA KINABALU**
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(6) 088 447 314
Fax : (6) 088 447 315

- **LAHAD DATU**
Tel : (6) 089 863 255 / 244 / 577
Fax : (6) 089 863 433

- **SANDAKAN**
Tel : (6) 089 214 885 / 942 / 964
Fax : (6) 089 214 977

- **TAWAU**
Tel : (6) 089 778 966 / 758
Fax : (6) 089 779 666

- **KENINGAU**
Tel : (6) 087 342 201 / 202 / 203
Fax : (6) 087 342 204

WILAYAH PERSEKUTUAN

- **LABUAN**
Tel : (6) 087 419 205 / 424 667
Fax : (6) 087 419 206

SARAWAK

- **BINTULU**
Tel : (6) 086 337 413 / 418 / 493 / 781
Fax : (6) 086 337 401

- **KOTA SAMARAHAN**
Tel : (6) 082 662 616 / 617 / 284 /
(6) 082 662 285
Fax : (6) 082 662 618

- **KUCHING**
Tel : (6) 082 412 259 / 413 229
(6) 082 414 159 / 417 289
Fax : (6) 082 410 446

- **MIRI**
Tel : (6) 085 415 422 / 424 / 425
Fax : (6) 085 415 421

- **SIBU**
Tel : (6) 084 327 140 / 141 / 142
Fax : (6) 084 327 144

- **SIMPANG TIGA, KUCHING**
Tel : (6) 082 453 716 / 726 / 736
Fax : (6) 082 453 711

AR-RAHNU BRANCHES

ALOR SETAR

- Lot 2024, Jalan Langgar
  05000 Alor Setar
  Kedah
  Tel : (6) 04 731 9090
  Fax : (6) 04 730 5050

SUNGAI PETANI

- 21-B, Jalan Ibrahim
  08000 Sungai Petani
  Kedah
  Tel : (6) 04 421 9090
  Fax : (6) 04 421 5050

KOTA BHARU

- No. 1154 & 1155, Seksyen 11
  Lorong Medan MARA
  Bandar Kota Bharu
  15000 Kota Bharu
  Kelantan
  Tel : (6) 09 748 9090
  Fax : (6) 09 748 9050

KUBANG KERIAN

- PT 816, Ground Floor
  Jalan Raja Perempuan Zainab II
  Bandar Baru Kubang Kerian
  16150 Kota Bharu
  Kelantan
  Tel : (6) 09 767 8090
  Fax : (6) 09 764 5090

PASIR MAS

- Lot 319, Seksyen 1
  Jalan Pasir Pekan
  17000 Pasir Mas
  Kelantan
  Tel : (6) 09 790 8090
  Fax : (6) 09 790 3090

PASIR PUTEH

- No. PT 546, Seksyen 2
  Jalan Nara
  16800 Pasir Puteh
  Kelantan
  Tel : (6) 09 786 9090
  Fax : (6) 09 786 5050

TANAH MERAH

- Lot PT175
  Jalan Hospital
  17500 Tanah Merah
  Kelantan
  Tel : (6) 09 955 7090
  Fax : (6) 09 955 5090

KUALA TERENGGANU

- MBKT-No 19
  Pusat Niaga Paya Keladi
  Kampung Paya Keladi
  20200 Kuala Terengganu
  Terengganu
  Tel : (6) 09 626 7090
  Fax : (6) 09 623 5050

KUANTAN

- No. G-11, Ground Floor
  Mahkota Square
  Jalan Mahkota
  25000 Kuantan
  Pahang
  Tel : (6) 09 517 9090
  Fax : (6) 09 514 5050

SME HUB

HEADQUARTERS

- Level 16, Menara Bank Islam
  No. 22, Jalan Perak
  50450 Kuala Lumpur
  Fax : 03-2688 2711

CENTRAL REGION

- **SME BANKING SHAH ALAM**
  Tingkat Bawah, Wisma PKPS
  Seksyen 14, Persiaran Perbandaran
  40675 Shah Alam
  Selangor
  General Line : 03-5510 0103
  Fax : 03-5519 7261

- **SME BANKING BANGI**
  Bank Islam Bandar Baru Bangi
  No. 2 & 4, Jalan 6C/7
  43650 Bandar Baru Bangi
  Selangor
  General Line : 03-8920 1062
  Fax : 03-8925 6168

- **SME BANKING SRI GOMBAK**
  Lot No. 120 & 121, Jalan Prima SG 5
  Prima Sri Gombak
  68100 Batu Caves
  Selangor
  General Line : 03-6181 1058
  Fax : 03-6185 9675

- **SME BANKING SRI PETALING**
  No. 1
  Jalan Radin Bagus
  Bandar Baru Seri Petaling
  57100 Kuala Lumpur
  General Line : 03-9056 2939
  Fax : 03-9056 2982

EASTERN REGION

- **SME BANKING KELANTAN STATE**
  Tingkat 2, PT1540, 1541 & 1542
  Persiaran KK6, Jalan Raja
  Perempuan Zainab II
  Bandar Baru Kubang Kerian
  16150 Kota Bharu
  Kelantan
  General Line : 09-764 1049
  Fax : 09-765 0177

- **SME BANKING TERENGGANU STATE**
  Tingkat 2 & 3, PT 35308 & PT 35309
  Dataran Austin, Mukim Kuala Nerus
  21300 Kuala Terengganu
  Terengganu
  General Line : 09-667 2426 / 2427
  Fax : 09-667 2433

- **SME BANKING PAHANG STATE**
  Bank Islam Putra Square
  No. 1 & 3, Tingkat 2
  Jalan Putra Square 2
  25200 Kuantan
  Pahang
  General Line : 09-517 3491
  Fax : 09-517 3605

SOUTHERN REGION

- **SME BANKING JOHOR STATE**
  Tingkat 15, Menara Tabung Haji
  Jalan Ayer Molek
  80000 Johor Bahru
  Johor
  General Line : 07-225 8800
  Fax : 07-225 8899

- **BANK ISLAM AYER KEROH**
  No. 1 & 3, Jalan KF4
  Kota Fesyen-MITC, Hang Tuah Jaya
  75450 Ayer Keroh
  Melaka
  General Line : 06-232 6024 / 6484
  Fax : 06-232 6494

NORTHERN REGION

- **SME BANKING KEDAH/ PERLIS STATE**
  No. 212 & 213, Kompleks
  Perniagaan Sultan Abdul Hamid
  Persiaran Sultan Abdul Hamid
  05050 Alor Setar
  Kedah
  General Line : 07-225 8800
  Fax : 07-225 8899

- **SME BANKING PULAU PINANG STATE**
  Tingkat 1 (Mezanine)
  Bangunan KWSP, Seberang Jaya
  No. 3009, Lebuh Tenggiri 2
  13700 Seberang Jaya
  Pulau Pinang
  General Line : 04-382 9100
  Fax : 04-382 9166

- **SME BANKING GEORGETOWN**
  Ground Floor
  Wisma Great Eastern
  Light Street
  Peti Surat 1204
  10200 Georgetown
  Pulau Pinang
  General Line : 04-262 4724
  Fax : 04-262 2594

- **SME BANKING PERAK STATE**
  No. 21 & 23
  Jalan Taman Meru Utama A1
  Medan Meru Utama
  30020 Ipoh
  Perak
  General Line : 05-527 7701
  Fax : 05-527 7706

BUREAU DE CHANGE

KLIA ARRIVAL LANDSIDE

- Lot No. MTB-3-L11
  Level 3, Arrival Hall
  Main Terminal Building
  Kuala Lumpur International Airport
  64000 Sepang
  Selangor
  Tel : 03-8787 1239
  Fax : 03-8787 1108

KLIA CONTACT PIER

- Lot No. CPI-4-A02
  Contact Pier International
  Kuala Lumpur International Airport
  64000 Sepang
  Selangor
  Tel : 03-8787 1840
  Fax : 03-8787 1843

KLIA IMMIGRATION

- Lot No. MTB-3-A21
  Arrival Hall (Immigration)
  Kuala Lumpur International Airport
  64000 Sepang
  Selangor
  Tel : 03-8787 1213
  Fax : 03-8787 1186

KLIA SATELLITE

- Lot No. SAT-P-A41
  Passenger Level, Satellite Building
  Kuala Lumpur International Airport
  64000 Sepang
  Selangor
  Tel : 03-8787 1214
  Fax : 03-8787 1231

KLIA2 INTERNATIONAL ARRIVAL

- S2-2-A34
  International Arrival Level (Airside)
  KL International Airport 2
  Jalan KLIA 2/1
  64000 Sepang
  Selangor
  Tel : 03-8787 1050
  Fax : 03-8787 1103

KLIA 2 LANDSIDE

- Lot L2-24A
  Gateway @ KLIA2, Terminal KLIA2
  Kuala Lumpur International Airport 2
  Jalan KLIA2/1
  64000 Sepang
  Selangor
  Tel : 03-8775 8032
  Fax : 03-8775 8029

KOTA KINABALU INTERNATIONAL AIRPORT

- Lot No. L1L01 (C7)
  Level 1, Arrival Hall (Landside)
  88740 Kota Kinabalu
  International Airport
  Sabah
  Tel : 088-204 232
  Fax : 088-204 175

PENANG INTERNATIONAL AIRPORT

- Lot No. L1AS14
  Level 1, International Arrival (Airside)
  Penang International Airport
  11900 Bayan Lepas
  Pulau Pinang
  Tel : 04-645 3388
  Fax : 04-643 9488

VEHICLE FINANCING SALES HUB

TEMERLOH

- **D/A BANK ISLAM MALAYSIA BERHAD**
  TEMERLOH BRANCH
  Lot No. C-49 & C-50
  Jalan Tengku Ismail
  28000 Temerloh
  Pahang
  Tel : (6) 09 296 1416
  Fax : (6) 09 296 5300

ALOR SETAR

- **D/A BANK ISLAM MALAYSIA BERHAD**
  ALOR SETAR BRANCH
  No. 1, Kompleks Perniagaan Utama
  Jalan Sultanah Sambungan
  05150 Alor Setar
  Kedah
  Tel : (6) 04 735 5966
  Fax : (6) 04 735 1002

AYER KEROH

- **D/A BANK ISLAM MALAYSIA BERHAD**
  AYER KEROH BRANCH
  1st Floor, 1 & 3, Jalan KF 4
  Kota Fesyen-MITC, Hang Tuah Jaya
  75450 Ayer Keroh
  Melaka
  Tel : (6) 06 232 6216 / 6024
  Fax : (6) 06-232 6494

BUTTERWORTH

- **D/A BANK ISLAM MALAYSIA BERHAD**
  BUTTERWORTH BRANCH
  1st Floor, No. 71 & 73
  Jalan Taman Selat Off Jalan Bagan Luar
  12720 Butterworth
  Penang
  Tel : (6) 04 332 1333
  Fax : (6) 04 333 4477

MERU RAYA

- **D/A BANK ISLAM MALAYSIA BERHAD**
  MERU RAYA BRANCH
  Ground Floor, No. 19
  Jalan Taman Meru Utama A1
  Medan Meru Utama
  30020 Ipoh
  Perak
  Tel : (6) 05 527 7742 / 7743
  Fax : (6) 05 527 7751

KUALA TERENGGANU

- **D/A BANK ISLAM MALAYSIA BERHAD**
  JLN SULTAN ISMAIL BRANCH
  1st Floor, Lot 1128
  Bangunan Majlis & Adat
  Melayu Terengganu, Jalan Banggol
  20720 Kuala Terengganu
  Terengganu
  Tel : (6) 09 622 4730
  Fax : (6) 09 631 5455

KOTA BHARU

- **D/A BANK ISLAM MALAYSIA BERHAD**
  KOTA BHARU BRANCH
  1st Floor, Seksyen 25, Lundang
  Jalan Sultan Yahya Petra
  15720 Kota Bharu
  Kelantan
  Tel : (6) 09 747 3488
  Fax : (6) 09 747 3491

JOHOR BAHRU

- **D/A BANK ISLAM MALAYSIA BERHAD**
  JOHOR BAHRU BRANCH
  No. 8-01, Jalan Padi Emas 5/2
  81200, Bandar Baru Uda
  Johor Bahru
  Johor
  Tel : (6) 07 237 9155
  Fax : (6) 07 237 9166

KOTA KINABALU

- **D/A BANK ISLAM MALAYSIA BERHAD**
  KOTA KINABALU BRANCH
  1st Floor, Bangunan UMNO
  Jalan Kemajuan, Karamunsing
  88000 Kota Kinabalu
  Sabah
  Tel : (6) 088 447 294/295
  Fax : (6) 088 447 305

KUALA LUMPUR

- 3rd Floor, Block E
  Wisma RKT Ground Floor
  No 10, Jalan Raja Abdullah
  Off Jalan Sultan Ismail
  50300 Kuala Lumpur
  Tel : (6) 03 2691 0277
  Fax : (6) 03 2698 8636

KUANTAN

- **D/A BANK ISLAM MALAYSIA BERHAD**
  KUANTAN BRANCH

  No. 1-05, 1-06, 1-07 Mahkota Square
  Jalan Mahkota
  25000 Kuantan
  Pahang
  Tel : (6) 09 513 6262
  Fax : (6) 09 515 8623

SHAH ALAM

- Ground Floor, Wisma PKPS,
  Section 14, Persiaran Perbandaran
  40675 Shah Alam
  Selangor
  Tel : (6) 03 5519 5188
  Fax : (6) 03 5519 6188

SUBSIDIARIES OF BANK ISLAM MALAYSIA BERHAD

BIMB INVESTMENT MANAGEMENT BERHAD

- 19th Floor, Menara Bank Islam
  No. 22, Jalan Perak
  50450 Kuala Lumpur
  Tel : (6) 03 2161 2524 / 2924
  Toll Free : 1800 88 1196
  Fax : (6) 03 2161 2464

BANK ISLAM TRUST COMPANY (LABUAN) LTD & BIMB OFFSHORE COMPANY MANAGEMENT SERVICES SDN BHD

- Level 15 (A), Main Office Tower
  Financial Park Complex
  Jalan Merdeka
  87000 F.T. Labuan
  Tel : (6) 087 451 806
  Fax : (6) 087 451 808

AL-WAKALAH NOMINEES (TEMPATAN) SENDIRIAN BERHAD

- 21st Floor, Menara Bank Islam
  No. 22, Jalan Perak
  50450 Kuala Lumpur
  Tel : (6) 03 2726 7724
  Fax : (6) 03 2726 7733

FARIHAN CORPORATION SDN BHD

- 19th Floor, Menara Bank Islam
  No 22, Jalan Perak
  50450 Kuala Lumpur
  Tel : (6) 03 2782 1333
  Fax : (6) 03 2782 1355

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Level 32, Menara Bank Islam
No 22, Jalan Perak
50450 Kuala Lumpur

Tel (6)03 2088 8000 Fax (6)03 2088 8033