Bank Muamalat

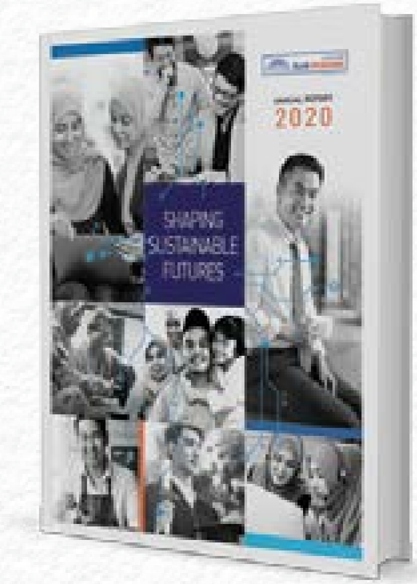
196501000376 (6175-W)

ANNUAL REPORT 2020

SHAPING SUSTAINABLE FUTURES

SHAPING SUSTAINABLE FUTURES

This design reflects the Bank's positioning as a people-oriented bank that goes the extra mile in understanding and serving our stakeholders better. The images highlight the smiles we bring to our diverse customer base through our continuous commitment to stay at the top of our game. Corporate coloured bars highlight the corporate strengths and dynamism that outline our way forward. The digital lines embedded within depict the increased engagements and enhanced relationships we are building through digitalisation as we focus on shaping sustainable futures for ourselves and for our stakeholders.



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Please scan the QR code for more information

ABOUT THIS REPORT

REPORTING FRAMEWORK

This Annual Report 2020 ("AR2020") covers the period from 1 January 2020 to 31 December 2020, in alignment with the reporting period of our parent company, DRB-HICOM Berhad.

We have developed this AR2020 with an aim to provide a balanced and comprehensive reporting of the Bank's financial and non-financial performance, benchmarked against our strategy and our delivery of long-term value. This report also includes our outlook for the short, medium and long-term to ensure our stakeholders receive a holistic view of our performance to assist in their decision-making.

SCOPE AND BOUNDARIES

This report discloses the performance of Bank Muamalat and its subsidiaries, located in Malaysia. In developing this report, we have adhered to the requirements of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and Sustainability Reporting Guide (Second Edition), the Malaysian Code on Corporate Governance, Bank Negara Malaysia's Policy Documents and Guidelines, the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), the Companies Act 2016, the International Integrated Reporting Council's ("IIRC") Integrated Reporting Framework and the Global Reporting Initiative's ("GRI") Sustainability Reporting Standards.

Unless otherwise stated, information disclosed in this report is as at 31 December 2020.

NAVIGATION ICONS

In line with the Framework, we have reported on our value creation activities in relation to the Six Capitals. For ease of reference, the following navigation icons are used to represent each capital and will appear throughout this report as the capitals are discussed:

- Financial Capital
- Manufactured Capital
- Human Capital
- Intellectual Capital
- Social & Relationship Capital
- Natural Capital

AT A GLANCE

Gross Impaired Financing of 1.07%
Lowest since the Bank's establishment

CASA ratio at 36.1%
Higher than industry (banking system) of 30.3%

Total assets RM25.7 billion
Grew 12.6% over a period of 3 years

Mobile apps new subscription increased by 59.2%
compared to 54.0% in previous year

Introduced Jariah Fund, a social welfare crowdfunding platform to generate a sustainable impact on the economy

Introduced Muamalat Application Platform ("MAP"), a financing application platform that allows customer to apply for financing online and track their financial journey anytime and anywhere

ABOUT BANK MUAMALAT

As a value-driven Islamic bank, Bank Muamalat aims to contribute to a sustainable financial ecosystem through strategies that balance business objectives with a focus on economic, environment and social benefits.

VISION

To become the preferred Islamic financial provider

MISSION

To ethically deliver best value to stakeholders, society and environment

OUR VALUES

CARE

RESPECT

INTEGRITY

INNOVATIVE

SERVICE ORIENTED

Bank Muamalat is one of three (3) independent full-fledged Islamic financial institutions in Malaysia. The Bank's origins dated back to 1 October 1999 when the Islamic banking assets and liabilities of three (3) local banks were merged, namely Bank Bumiputra Malaysia Berhad, Bank of Commerce (Malaysia) Berhad and BBMB Kewangan Berhad, were merged. As at 20 September, the Bank ranks 10th out of 16 Islamic banks in the country in terms of asset size. The Bank has two (2) shareholders, DRB-HICOM and Khazanah Nasional Berhad, each holding 70% and 30% equity respectively.

Bank Muamalat's network spans across 67 branches nationwide through which the Bank provides a wide range of Islamic banking products and services to Malaysians and foreigners, offering wholesale and retail banking services namely savings, current and foreign currency deposits, investment accounts, foreign exchange trading, working capital financing, trade financing, project and contract financing, venture capital and Islamic capital market services. As a pioneering Islamic bank in the country, Bank Muamalat is supported by highly qualified Shariah scholars with extensive experience in Islamic jurisprudence. This group provides counsel on issues pertaining to Shariah products and services, including activities to raise Islamic capital.

The Bank is a member of the Global Alliance for Banking on Values ("GABV"), an independent network of banks and banking cooperatives worldwide that operate under the Principles of Sustainable Banking. GABV focuses on returns to the real economy and acts as a financial intermediary to support social and environmental impacts. Bank Muamalat is the first Islamic bank in Malaysia and Southeast Asia to be accepted as a member of the alliance.

WHAT DIFFERENTIATES BANK MUAMALAT?

1 A Bank that is continuously committed in delivering positive impact to the community

More details in our Sustainability Report on pages 84 to 105.

2 Continuously striving to improve client satisfaction, especially in digital platform offerings

More details in Customer Service and Digital Banking segments of our Sustainability Report on pages 89 and 90 respectively.

3 Knowledgeable and widely experienced management team

Read the profiles of our Senior Management on pages 121 to 125.

4 A value-driven financial institution that aspires to be an ethical Islamic bank supported by strong shared values

More details in Sustainability Report from page 80, and in our Shariah Committee Statement on page 137.

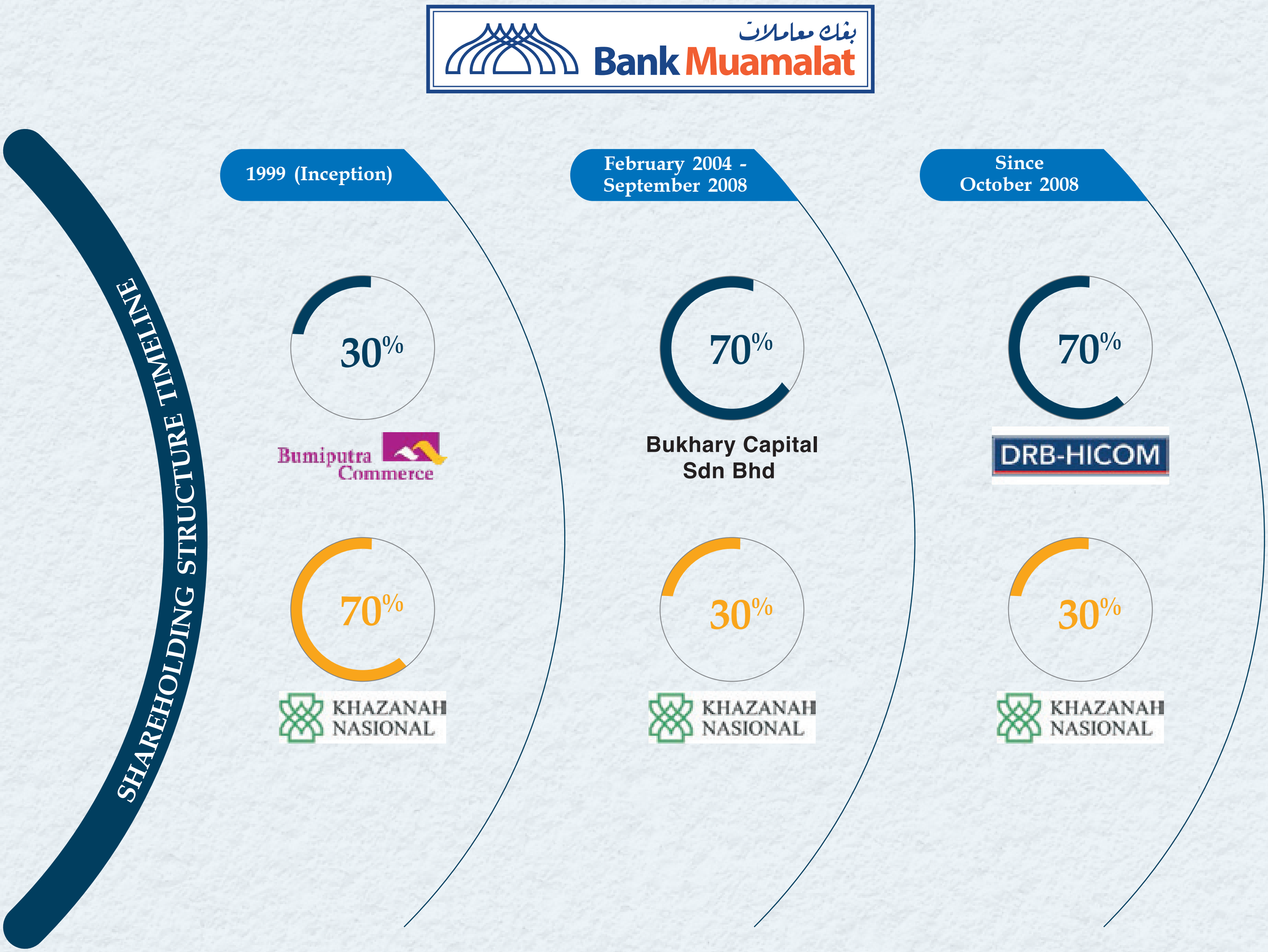
5 Holistic and sound enterprise risk management practices

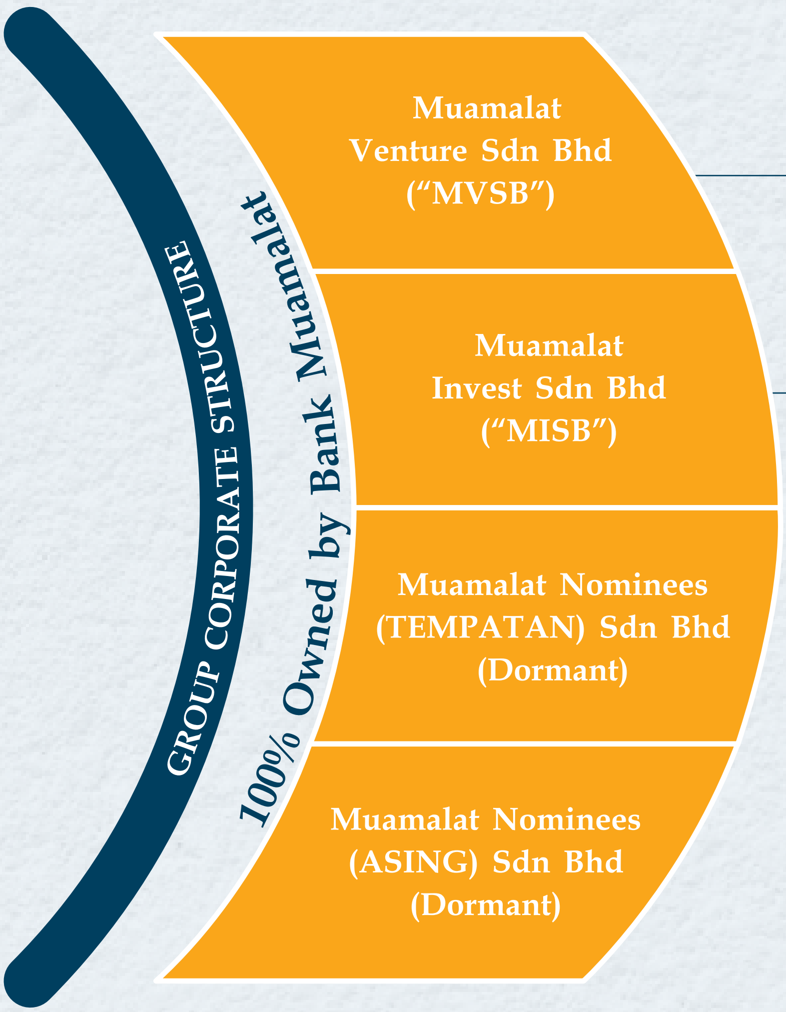
More details in Mitigating Principal Risks and Statement of Risk Management on pages 44 and 142 respectively.

6 Good governance and strong leadership

More details in Committed to Strong Governance on page 126.

CORPORATE STRUCTURE





Muamalat Venture Sdn Bhd ("MVSB") -
operating at Bank Muamalat Head Office

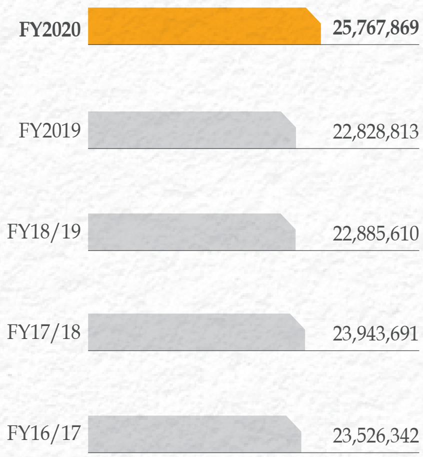
- Engaged in private equity and venture capital activities.
- Investments in "alternative" asset class, offering diversification and absolute return.
- Focus on medium to long-term funding to companies, i.e. equity and mezzanine facilities for growth, mid and late-stage opportunities.

Muamalat Invest Sdn Bhd ("MISB") –
operating at Bank Muamalat Head Office

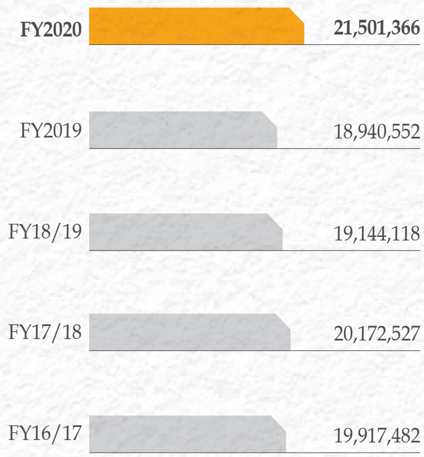
- Licenced Fund Management company, since 2006.
- Accorded Islamic Fund Management licence in September 2010.
- Offers wholesale funds for sophisticated investors and management of discretionary mandates.
- Obtained Capital Market Services License ("CMSL") in March 2019 for dealing in securities (restricted to unit trust), enabling to manufacture, sell and manage retail unit trust funds.

5-YEAR FINANCIAL HIGHLIGHTS

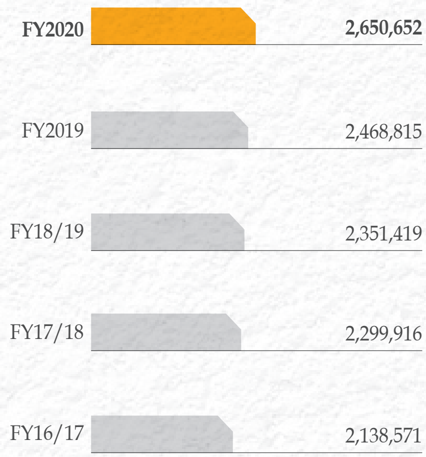
TOTAL ASSETS
(RM'000)



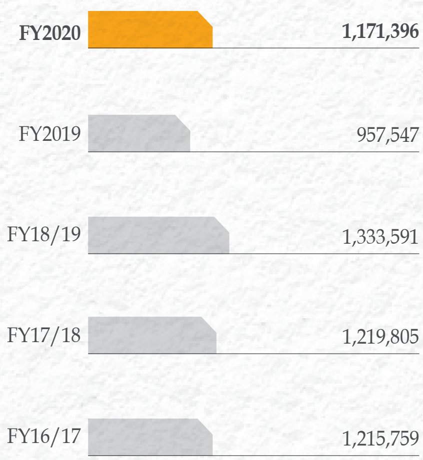
TOTAL DEPOSITS FROM CUSTOMERS
(RM'000)



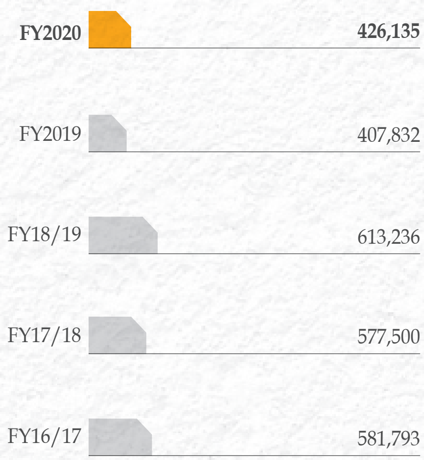
SHAREHOLDERS EQUITY
(RM'000)



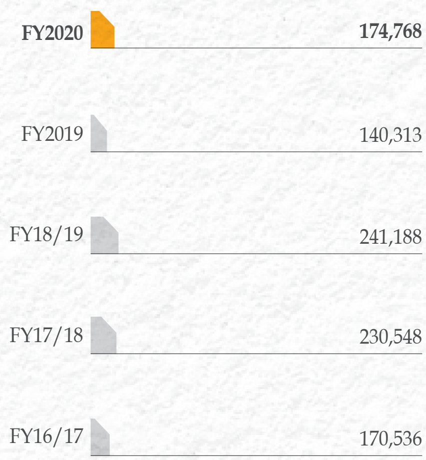
OPERATING REVENUE
(RM'000)



INCOME ATTRIBUTABLE TO DEPOSITORS
(RM'000)



PROFIT BEFORE TAX AND ZAKAT
(RM'000)



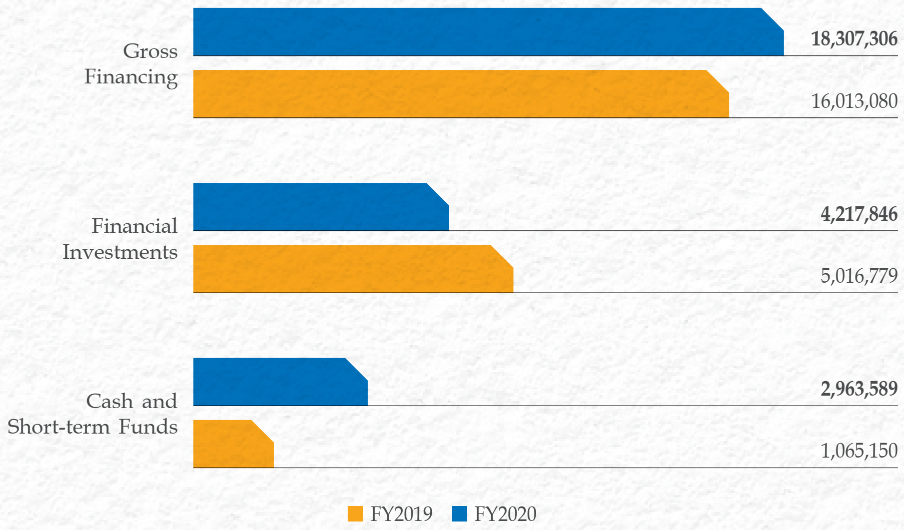
OUR FINANCIAL HIGHLIGHTS (FY16/17 TO FY2020) - GROUP

	FY16/17	FY17/18	FY18/19	FY2019	FY2020
Operating Result (RM'000)					
Operating Revenue	1,215,759	1,219,805	1,333,591	957,547	1,171,396
Income attributable to depositors	581,793	577,500	613,236	407,832	426,135
Profit before tax and zakat	170,536	230,548	241,188	140,313	174,768
Profit after tax and zakat	149,907	181,625	179,494	98,806	172,857
Key Statements of Financial Position (RM'000)					
Total Assets	23,526,342	23,943,691	22,885,610	22,828,813	25,767,869
Financial Investments	6,471,174	6,624,563	5,700,141	5,016,779	4,217,846
Total Financing of Customers	14,918,272	14,687,846	15,330,895	15,861,238	18,115,817
of which: Gross Impaired Financing	351,920	285,416	221,216	209,166	194,711
Total Deposits from Customers	19,917,482	20,172,527	19,144,118	18,940,552	21,501,366
of which: CASA	4,225,851	5,006,151	5,343,192	5,895,877	7,756,200
Shareholders Equity	2,138,571	2,299,916	2,351,419	2,468,815	2,650,652
of which: Share Capital	1,195,000	1,195,000	1,195,000	1,195,000	1,195,000
Financial Ratios (%)					
Return on Equity - Before Tax and Zakat	8.25%	10.39%	10.37%	7.76%	6.83%
Return on Equity - After Tax and Zakat	7.25%	8.18%	7.72%	5.47%	6.75%
Return on Assets - Before Tax and Zakat	0.74%	0.97%	1.03%	0.82%	0.72%
Return on Asset - After Tax and Zakat	0.65%	0.77%	0.77%	0.58%	0.71%
Cost Income Ratio	55.3%	61.4%	56.5%	59.8%	54.7%
Capital Ratio	16.7%	18.4%	18.6%	18.7%	18.0%
Gross Impaired Financing Ratio	2.31%	1.92%	1.43%	1.31%	1.07%
CASA Composition to Total Deposits	21.2%	24.8%	27.9%	31.1%	36.1%

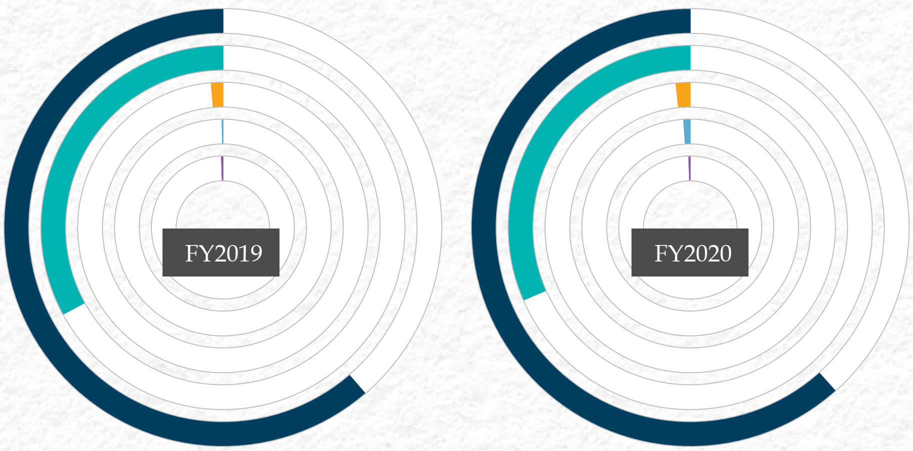
Note:
1. *FY16/17 refers to financial year from April 2016 to March 2017*
2. *FY17/18 refers to financial year from April 2017 to March 2018*
3. *FY18/19 refers to financial year from April 2018 to March 2019*
4. *FY2019 refers to financial period from April 2019 to December 2019*
5. *FY2020 refers to financial year from January 2020 to December 2020*

ASSETS PERFORMANCE

ASSET PORTFOLIO (RM'000)

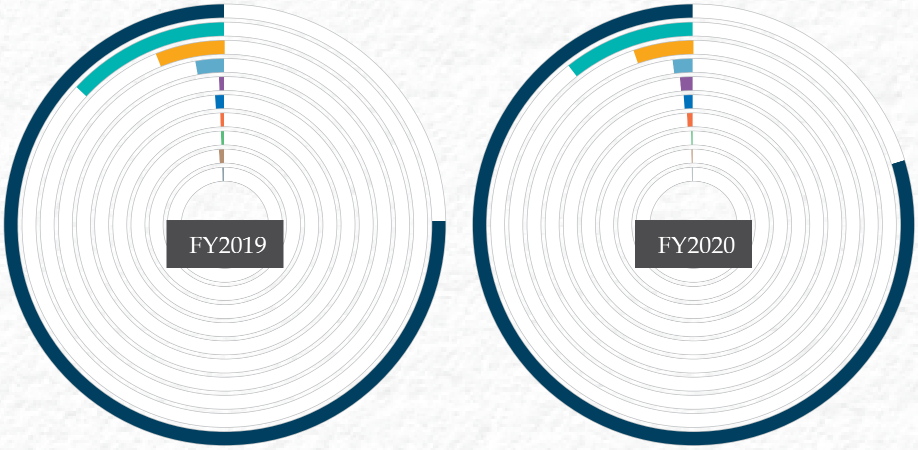


FINANCING BY BUSINESS SEGMENT



	FY2019	**FY2020**
Consumer	63.86%	**64.48%**
Corporate	34.37%	**32.85%**
Commercial	1.20%	**1.43%**
SME	0.24%	**0.90%**
Treasury & Investment	0.33%	**0.34%**

FINANCING BY ISLAMIC CONTRACT

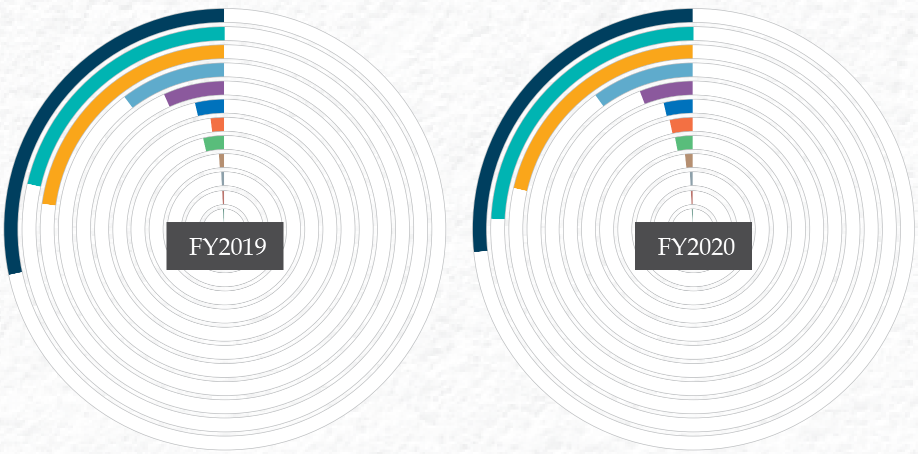


	FY2019	**FY2020**
Tawarruq	75.23%	**79.46%**
Bai' Bithaman Ajil	12.90%	**10.48%**
Murabahah	5.90%	**5.20%**
Ijarah Thumma Al-Bai	2.55%	**1.73%**
Murabahah to the Purchase Orderer	0.49%	**1.31%**
Bai' Al-Dayn	1.05%	**1.01%**
Shirkah Mutanaqisah	0.37%	**0.42%**
Istisna'	0.42%	**0.27%**
Ar-Rahnu	1.06%	**0.10%**
Inah	0.03%	**0.02%**

Note:

1. *BBA, Inah & Istisna'- Contracts are for existing financing yet to mature.*
2. *Ar–Rahnu (Qard) - Transition of Shariah contract from Qard to Tawarruq (w.e.f. February 2020).*
3. *AITAB - Transition of Shariah contract from AITAB to Murabahah to Purchase Orderer (w.e.f. April 2019).*

FINANCING BY PRODUCT

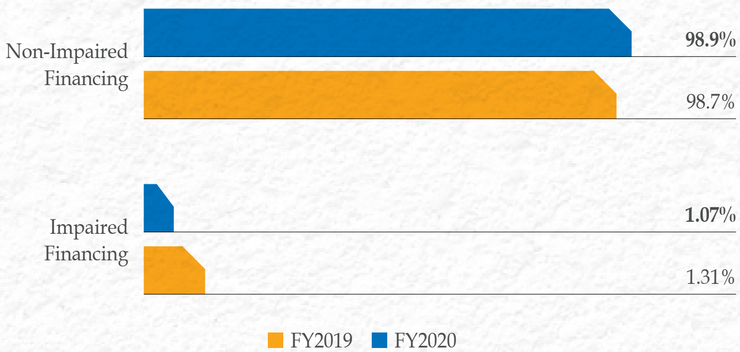


	FY2019	**FY2020**
Home Financing	28.14%	**26.58%**
Personal Financing	21.36%	**24.00%**
Other Term Financing	22.58%	**21.12%**
Revolving Credit	10.04%	**9.80%**
Claims on Customers Under Acceptance Credits	6.47%	**5.70%**
Hire Purchase Receivables	3.60%	**3.48%**
Cash Line	1.90%	**3.11%**
Syndicated Financing	3.46%	**3.01%**
Ar-Rahnu	1.06%	**1.66%**
Staff Financing	0.62%	**0.53%**
Trust Receipts	0.48%	**0.51%**
Others	0.29%	**0.50%**

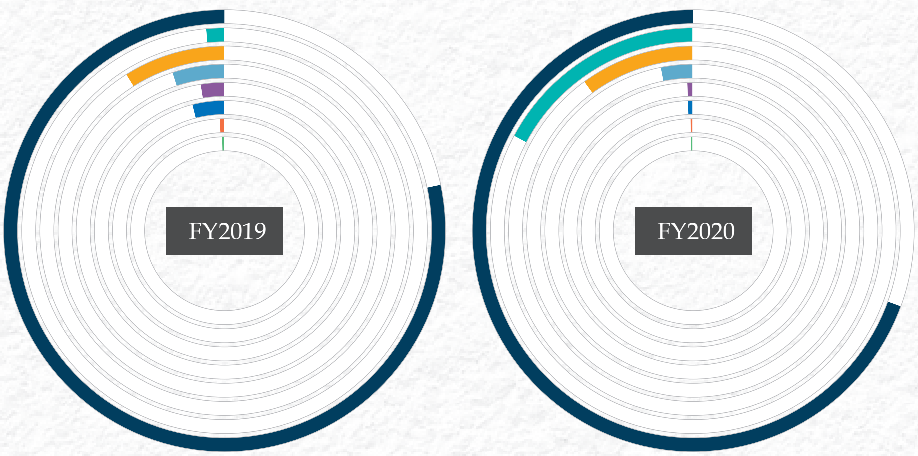
ASSETS PERFORMANCE

ASSET QUALITY

	FY2019	FY2020
Gross Impaired Financing (RM Million)	209.2	**194.7**
Gross Impaired Financing Ratio	1.31%	**1.07%**
Financing Loss Reserve Ratio	75.50%	**101.30%**
Collective Assessment Ratio	0.80%	**0.90%**

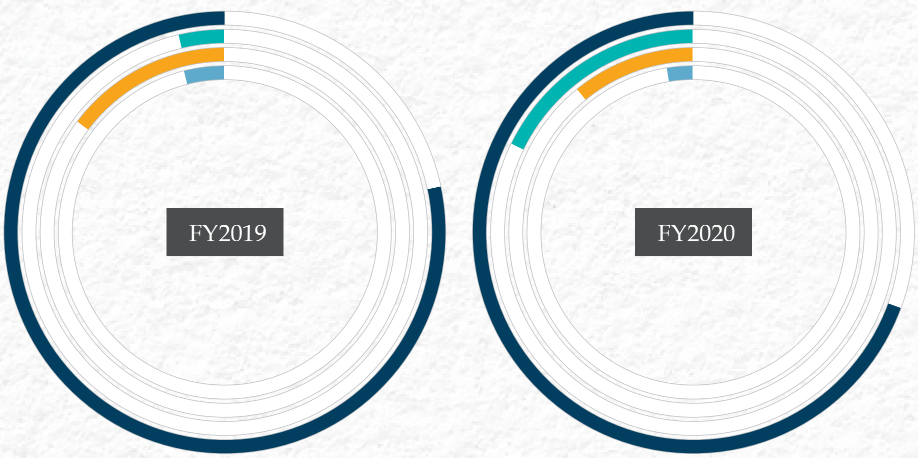


IMPAIRED FINANCING BY SECTOR



	FY2019	FY2020
Household	78.20%	**69.25%**
Manufacturing	1.34%	**17.04%**
Real Estate	8.83%	**9.77%**
Wholesale and Retail and Restaurant	4.96%	**2.91%**
Construction	2.28%	**0.43%**
Transport, Storage and Communication	3.74%	**0.30%**
Finance, Takaful and Business Services	0.46%	**0.21%**
Community, Social and Personal Service	0.19%	**0.09%**

IMPAIRED FINANCING BY BUSINESS SEGMENT

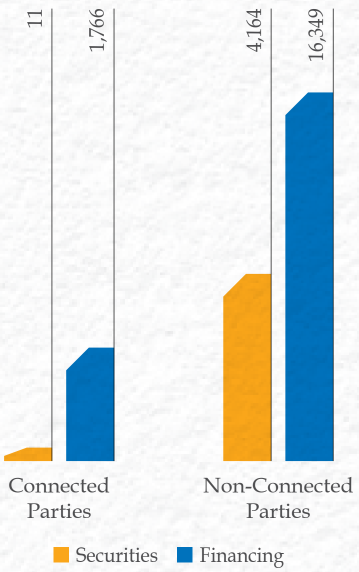


	FY2019	FY2020
Consumer	78.20%	**69.23%**
Corporate	3.44%	**17.67%**
Commercial	14.63%	**10.79%**
SME	3.73%	**2.31%**

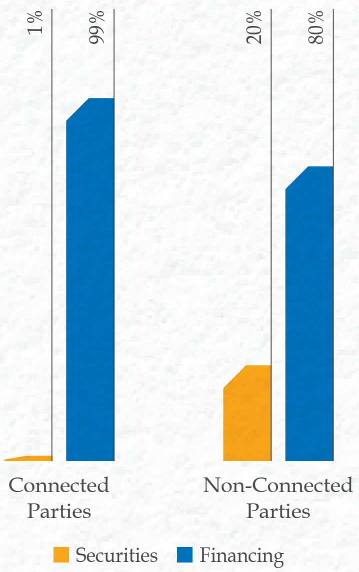
CONNECTED PARTIES

As at end of FY2020, connected parties exposures accounted for 6.7% (RM1.78 billion) of the total credit exposures of RM26.7 billion. The amount stood at 60.9% against the Bank Muamalat's capital base of RM2.9 billion. Both measurements were well below the threshold limit set by Bank Negara Malaysia.

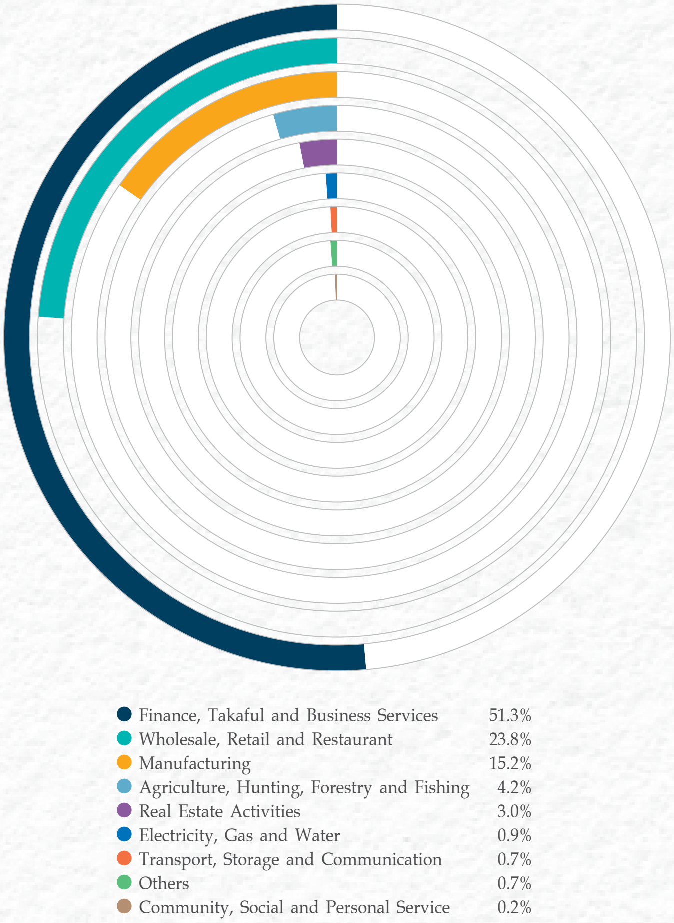
CONNECTED PARTIES VS NON-CONNECTED PARTIES EXPOSURE BY FINANCIAL INSTRUMENT AS AT DECEMBER 2020 (RM MILLION)

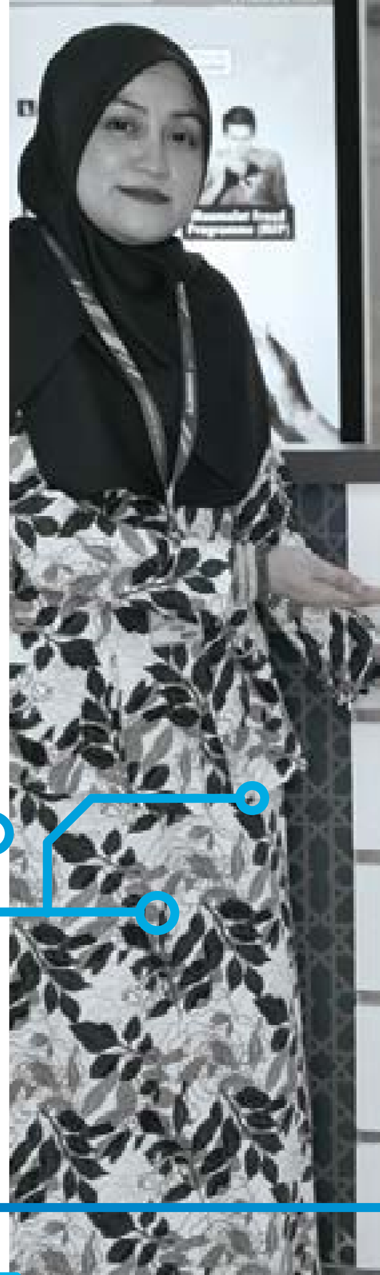


CONNECTED PARTIES VS NON-CONNECTED PARTIES EXPOSURE BY FINANCIAL INSTRUMENT AS AT DECEMBER 2020 (%)



CONNECTED PARTIES EXPOSURE BY SECTOR AS AT DECEMBER 2020 (%)





SHAPING BETTER CUSTOMER EXPERIENCES

Bank Muamalat is actively reshaping customer experience by enhancing our infrastructure for more efficient service deliverables; and through investments in digital platforms to make transacting easier from anywhere and at anytime.

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS,

2020 will go down in history as a year that disrupted the world, with its profound impact on the global economy and societal norms. Countries around the globe scrambled to curb the COVID-19 pandemic, by closing borders and imposing movement restrictions. New norms emerged and digitalisation was rapidly adopted to sustain economic activities.

At home, Bank Negara Malaysia in its 4th Quarterly Report revealed that the economy experienced its biggest contraction since the 1998 Asian Financial Crisis, shrinking by 5.6% in 2020. To cushion Malaysians from the economic fallout triggered by the pandemic, the Ministry of Finance in its Economic Outlook 2021 Report, disclosed that the Government disbursed several stimulus packages valued over RM300 billion, comprising fiscal and non-fiscal measures.

Alhamdulillah, adequate liquidity buffers provided banks with sufficient room to withstand the external shock and pull through the crisis. Looking beyond the initial impact of the COVID-19 crisis, Bank Muamalat will continue to support the country's economic recovery, focus on its stakeholders' needs, build resilience and enhance digitalisation efforts.

DATUK SERI TAJUDDIN ATAN
CHAIRMAN

Subdued internal and external environments impacted the Bank's performance. Financing growth for the first half of the year was stunted as business activities were disrupted due to the movement control order ("MCO"). It was further exacerbated by Bank Negara Malaysia's ("BNM") decision to reduce the overnight policy rates ("OPR") and the government's introduction of loan and financing moratorium.

As a result, in the first half of 2020, Bank Muamalat's pre-tax profit fell 76.5% year on year to RM28.6 million, mainly on the back of lower income from financing due to deferred payments during the moratorium period. Additionally, provisions of RM23.7 million were made as a pre-emptive measure in view of the potential weakening of asset quality due to the impact of the COVID-19 pandemic.

Despite a weaker performance in the first half of the year, Bank Muamalat managed to record a Profit Before Tax and Zakat ("PBTZ") of RM174.8 million for the financial year ended 31 December 2020. On a period-to-period comparison, it was a decline of 23.7% compared to the previous 12 months PBTZ of RM229 million for the period ended 31 December 2019. Return on equity was 6.84% and return on asset was 0.72%. With prudent cost management in place, our cost-to-income ratio was also lower at 54.4% from 59.8% recorded in FY2019.

RM174.8 Million

PBTZ recorded for FY2020

**Note: In 2019 Bank Muamalat changed its financial year-end to 31 December from its original 31 March, to synchronise with the financial year of its holding company, DRB-HICOM Berhad*

54.4%

FY2020's cost-to-income ratio was lower than the 59.8% recorded in FY2019.

Additional provisions of RM23.7 million were made as a pre-emptive measure in view of the potential weakening of asset quality due to the impact of the COVID-19 pandemic.

However, Bank Muamalat registered a commendable performance despite net margin compression due to the lower profit rate environment, modification losses arising from the moratorium, and business slowdown.

SHAPING OUR STRATEGIC RESPONSE

The Bank reassessed and reprioritised its RISE24 strategies to focus on efforts that improve readiness in responding to the impact of the pandemic. RISE24 is driven by seven (7) strategic focus areas ("SFAs") which is overarched by value-based principles and prudently centralised on the Bank's risk and compliance culture. Both defensive and offensive strategies were considered to protect assets and optimise operations while encouraging prudent risk-taking to maximise opportunities for growth.

Among our priorities for FY2020 was to safeguard the well-being of our employees and remain focused on building capabilities and developing capacity to remain resilient in the current banking environment. The introduction of various digital apps and platforms during the year provided a safer means of banking and improved speed and convenience for an enhanced customer experience.

Efforts were redoubled to transform the credit risk management processes to manage the balance sheet and defend asset quality. This led to a strengthening of the Bank's asset

CHAIRMAN'S STATEMENT

Bank Muamalat also achieved a key milestone in its social finance efforts with the establishment of the Jariah Fund on 22 September 2020 in alignment with BNM's Value-Based Intermediation ("VBI") drive.

Total Capital Ratio
(%)

Tier 1 capital ratio for FY2020 surpassed industry average of 14.0%

Total capital ratio for FY2020 is close to industry average of 18.3%

quality as gross impaired ratio improved to 1.07% in FY2020 from 1.31% in FY2019, the lowest since the Bank's establishment. Capitalisation levels stayed strong with Tier 1 and total capital ratios at a healthy 15.4% and 18.0% (industry average: 14.0%; 18.3%). Additionally, the Bank is backed by its existing Basel III-compliant Subordinated Sukuk programme to support its capital position when required; a total of RM250 million has been issued as at end-September 2020.

Taking into consideration the Bank's sturdy capitalisation, which provides a strong loss absorption buffer against an anticipated rise in defaults in the wake of the pandemic, notwithstanding the extension of financial relief to affected customers; RAM Ratings has reaffirmed the Bank's financial institution ratings ("FIRs") at A2 Stable P1, and reaffirmed the A3/Stable rating of the Bank's RM1 billion Subordinated Sukuk Murabahah Programme (2016/2036).

SHAPING SOCIAL FINANCE

Bank Muamalat continued to support customers during this difficult time by offering financing moratorium as well as various payment assistance programmes.

In March 2020, the Bank provided assistance to individuals and businesses, in particular to Small and Medium Enterprises ("SMEs"), through a blanket six-month moratorium on financing facilities. Following that, an enhanced targeted payment assistance programme was implemented to further assist both individual and business customers.

Bank Muamalat also achieved a key milestone in its social finance efforts with the establishment of the Jariah Fund on 22 September 2020 in alignment with BNM's Value-Based Intermediation ("VBI") drive. The Jariah Fund is a social welfare crowdfunding platform for charitable projects that aim to generate a sustainable impact on the economic growth of the ummah under the pillars of education, health and economic empowerment. In the first phase, beginning September 2020, Bank Muamalat worked with five (5) non-governmental organisations ("NGOs"), namely Yayasan Sejahtera, Yayasan Ikhlas, Yayasan Muslimin, The National Autism Society of Malaysia ("NASOM") and Malaysian Association for the Blind ("MAB") as charitable partners to monitor the selected campaigns posted on the platform. For its first phase, Bank Muamalat has collected RM40,415 in funds which will be channelled to selected beneficiaries through the selected community-based projects.

In serving the underserved, the Bank continues to provide financing for affordable homes to the lower-to-middle income earners, self-employed individuals and operators of small business entities. Through Smart Mortgage Solution programme, RM257 million was disbursed.

Bank Muamalat has also taken an active role in the industry to help champion the move towards sustainable practices, and was appointed to lead the development

The Bank's outstanding financing facilities was recognised as having a direct impact on the economic, social and environment which accounted for RM6.81 billion or 42% of our total outstanding financing in FY2020.

of the sectorial guide on energy efficiency. The Bank's outstanding financing facilities was recognised as having a direct impact on the economic, social and environment which accounted for RM6.81 billion or 42% of our total outstanding financing in FY2020.

SHAPING A DIGITAL FUTURE

Driven by the rapid development of digitisation, it is important for the Bank to leverage on the power of digital technology and incorporate it as part of its business DNA for greater economic efficiency.

During the year, Bank Muamalat collaborated with US-based Shariah compliant digital investment platform, Wahed Inc towards the realisation of Wahed Invest; a platform allowing investors to access Shariah compliant portfolios. The collaboration was a significant step on the Bank's journey into digitalisation, offering innovative solutions for its customers, especially on robo-advisory.

In July 2020, Bank Muamalat pioneered the Ar-Rahnu online auction - a first for the Ar-Rahnu industry in Malaysia to provide easy access to unredeemed gold items, while at the same time helping reduce the impairment in its Ar-Rahnu portfolio. The Ar-Rahnu online auction is based on open tender system for public bidders. Surplus is returned to the customers if the sale price exceeds the remaining debt.

In October 2020, the Bank introduced the Muamalat Application Platform ("MAP") - a financing application platform that allows customers to apply financing online and track their financial journey anytime and anywhere.

These digital initiatives dynamically advance Bank Muamalat's future-readiness and business sustainability through the medium term.

SHAPING INTEGRITY, ACCOUNTABILITY AND TRANSPARENCY

The Board of Bank Muamalat continues to uphold strong corporate governance policies and practices to promote corporate integrity, accountability and transparency. Our commitment to good governance is reflected in the diversity of age and experience of our Board members. Four (4) out of our seven (7) board members, including the Chairman, are independent in line with the requirement by Bursa Malaysia's guidelines.

CHAIRMAN'S STATEMENT

The Bank introduced the Muamalat Application Platform ("MAP"), a financing application platform that allows customers to apply financing online and track their financial journey anytime and anywhere.

Our efforts are guided by Islamic Financial Services Act 2013, Companies Act 2016 and Policy Document on Shariah Governance, and are directed to ensure effective, inclusive and responsive risk and governance mechanism. On Shariah governance requirements, our Shariah Committee ensures that all banking activities are in line with Shariah principles. Following the issuance of the new Policy Document on Shariah Governance that was effective by 1 April 2020, the Shariah Committee updated our Shariah Governance framework to be in line with the new requirements.

In July 2020, at Board level, we have strengthened our Anti-Bribery and Corruption policy to address corporate liability issues as required by Section 17A of the Malaysian Anti-Corruption Commission Act. Additionally, a "No Gift" Policy has been adopted to avoid conflict of interest.

Last but not least, an Integrity and Governance unit has been established within the Bank as a dedicated function to oversee the Bank's overall anti-corruption efforts and enhance integrity as well as promote good workplace conduct.

SHAPING STRONGER SAFEGUARDS

The Board has intensified the assessment and monitoring of risks, including thoroughly reviewing the risk assessment processes and risk appetite considerations in addressing the shifting market and regulatory developments.

In strengthening risk management, an Enterprise Risk Management ("ERM") Framework was implemented as a more structured approach towards managing risks. It consists of a few framework documents that focus on operational, credit, market, model risk, technology and Shariah risk framework. Given the increased harnessing of technology and digital channels, we also established a Technology Risk Management Framework ("TRMF"), a structured approach of defining, evaluating, managing, monitoring and governing technology related risks in the Bank.

SHAPING FUTURE-READINESS

The International Monetary Fund ("IMF") via its April 2021's World Economic Outlook ("WEO") Update projected the global economy to grow 6.0% in 2021 and 4.4% in 2022, reflecting the expectations of positive impacts of global COVID-19 vaccination programmes and additional policy support especially in large world economies.

On the domestic front, the Ministry of Finance Malaysia expects domestic economy to rebound between 6.5% and 7.5% in 2021, supported by improvements in overall global growth and international trade, hinging on the back of successful containment of the COVID-19 pandemic as well as sustained recovery in external demand.

The Bank will continue to deliver positive impact to the community, striving to improve client satisfaction and advance as an ethical Islamic bank supported by strong shared values, holistic risk management, and good governance.

Throughout 2021, the Bank will extend assistance to communities affected by the pandemic so that the most vulnerable gets a helping hand. Committed to BNM's VBI agenda, the Bank will continue to grow and develop initiatives that ensure adoption of more relevant practices, offerings and conduct that generate positive and sustainable impact.

Business growth will be accelerated via business transformation in the areas of consumer, commercial and corporate segments by focusing on better rated customers closely guided by the Bank's risk appetite statement ("RAS") and reassessed list of preferred and non-preferred sectors.

ACKNOWLEDGEMENTS & APPRECIATION

During the year, we welcome En. Johari Abdul Muid, who was appointed as an Independent, Non-Executive Director on 10 November 2020.

On behalf of the Board, I commend the Bank's management team and employees for their commitment and dedication throughout the challenging year. Our gratitude also goes to our shareholders, customers, business partners and bankers, as well as organisations with whom we collaborate with. And for their decisive stance in leading the nation through the pandemic, we would like to record our appreciation to the government and all frontliners.

Though industry growth experienced a slowdown in 2020, we emerged from the challenging year with new strengths and the long-term vision for Bank Muamalat still intact. The coming year will be equally challenging as the emergence of new strains continue to give rise to uncertainties. Therefore, it is critical that we apply the insights and collective knowledge gained during this past year in order for us to make a sustained recovery. However, the Board remains optimistic on our prospects moving forward supported by the Bank's sustainable financial and business expansion strategies.

Thank you.

DATUK SERI TAJUDDIN ATAN
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

Malaysia is currently stepping up its vaccination programme to achieve herd immunity. Indeed, it is a shining beacon of hope for a better year ahead, amidst the prospects of year 2020 that was blighted by weakened global and domestic economic landscapes, due to the widespread COVID-19 pandemic. Global supply chains were impacted, leaving trade, consumer and business sentiments muted. In Malaysia, nationwide lockdown measures caused widespread disruption to business activities, which hampered financing growth in the first half of the year. Although there was some recovery in the second half of the year, the low profit environment, led by three (3) consecutive cuts of overnight policy rate ("OPR") affected the yield curve and further compressed net margin profits.

KHAIRUL KAMARUDIN
CHIEF EXECUTIVE OFFICER

A CHALLENGING YEAR

It was a year that called for responsive action. Bank Muamalat Malaysia Berhad (Bank Muamalat or the Bank) stayed on track of its RISE24 strategic plan, and priorities shifted towards fortifying resilience in our operations. We also focused on bolstering support for our stakeholders.

This was a tough balancing act as the rising unemployment rate and inert economic growth challenged the Bank's management of asset quality and prompted higher allowance for impaired financings. At the same time, the shifts in credit and cashflow landscapes brought about by the blanket loan/financing moratorium implemented by Bank Negara Malaysia ("BNM") and payment assistance programmes gave rise to modification losses.

In boosting the Bank's capabilities and focus to meet the growing challenges of credit risk and technology needs within this new business environment, three (3) key management roles were created and filled during the year, namely Chief Credit Officer ("CCrO"), Chief Information Security Officer ("CISO") and Chief Strategy Officer ("CSO"). The appointments are also aimed at enhancing our focus on safeguarding our business resilience and ensuring business sustainability.

Maintaining Business Continuity and Sustainability

The Bank's Business Continuity Plan ("BCP") was activated to ensure our operations remained uninterrupted amidst the movement restrictions imposed. Measures such as free COVID-19 screening for all employees, work from home deployment for non-critical job functions, and the new normal of business protocols were quickly adopted at all the Bank's premises. We were mindful that the first course of action was to bolster our customers' financial resilience as this would have a cascading effect on our own business sustainability.

All financing payments were automatically deferred for a period of six (6) months for individual customers and small and medium enterprises ("SMEs") effective 1 April 2020 up until 30 September 2020. In addition, an extension of financing moratorium for customers who were affected, was introduced after September 2020 given the prolonged movement restrictions imposed.

These efforts were crucial in providing stability and support for our customers and easing their financial burdens during the period of uncertainty.

In defending the quality of our assets, the Bank focused on those in the vulnerable customer segments. A CCrO was appointed in July 2020, to oversee the credit portfolios of the Bank.

In addition, a higher compliance on risk underscored the Bank's business as part of our steadfast commitment to meet all compliance requirements and maintain the Bank's strong capital position. The Bank's risk appetite statement ("RAS") was reviewed together with our strategic, capital and business planning towards optimum alignment. We continued to strengthen the risk management process through enhanced operational risk controls and improved elevated risk analysis, supported by broader data analytics.

The use of our digital channels were enhanced as our physical branches operated with limited counter services and shorter operating hours. Retail internet banking and mobile apps have been upgraded and digital platforms expanded to ensure ease of banking transactions for customers. With the appointment of the CISO, cyber resilience was upgraded to strengthen data privacy and cyber security.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Ensuring the welfare of employees and the community

The health and safety of our employees have been core concerns during this pandemic. We established new processes to minimise contact during this period with most meetings and discussions conducted virtually. We also embarked on the e-learning and e-training routes to ensure that that employees can continue developing and nurturing their potential from anywhere and at anytime.

The year also called for greater corporate social responsibility efforts to ensure the safety and wellbeing of our communities. As part of our effort to fight the pandemic, more than RM430,000 was donated to various associations, communities, hospitals and frontliners. Over RM30 million in waqf fund was collected in FY2020 of which RM16.5 million was disbursed under waqf projects for the healthcare, education and investment sectors.

During the month of Ramadhan, we contributed more than RM246,000 to orphanages and old folk homes to bring cheer and hope to those who need it the most.

The strategic achievements of the Bank are highlighted in more detail on page 25

FY2020 FINANCIAL PERFORMANCE

Note: In mid-2019, Bank Muamalat's financial year-end was shifted to 31 December from the original 31 March, in order to be aligned with the practice of our holding company, DRB-HICOM.

The Bank's total deposits grew by 13.5% to around RM2.6 billion as of end December 2020, partly contributed by the steady growth in current and savings accounts ("CASA"). This led to CASA ratio improving to 36.1% as compared to 31.1% a year earlier.

A commendable performance was achieved amidst the challenging operating environment in FY2020 brought on by the prolonged pandemic, and its resulting toll on livelihoods and economic activities. Among the key factors that impacted the Bank's financial performance were the lower margins and repricing gaps pursuant to the multiple cuts in overnight policy rate ("OPR") in FY2020 amounting to a total reduction of 125 basis points, higher provisioning for impaired and vulnerable assets, and modification loss adjustment arising from payment moratoriums granted on customers' financing facilities.

However, with prudent cost management in place, the Bank's cost-to-income ratio showed improvement at 54.4% from 59.8% in the last financial year. As a result, return on equity ("ROE") was 6.84% as compared to 7.76% in FY2019 and return on asset ("ROA") was 0.72% compared to 0.82% in preceding year.

Silver linings were that Bank Muamalat managed to successfully improve asset quality as Gross Impaired Financing ("GIF") was positioned at 1.07% as at December 2020 as compared to 1.31% registered in FY2019. The Bank's capital position was also maintained as Common Equity Tier-1 ratio and Total Capital Ratio remained stable and well above regulatory requirements at 15.49% and 17.96% respectively.

1.07%

Gross Impaired Financing (GIF) for FY2020 improved from 1.31% in FY2019

More than RM430,000 was donated to various associations, communities, hospitals and frontliners. Over RM30 million in waqf fund was collected in FY2020 of which RM16.5 million was disbursed under waqf projects for the healthcare, education and investment sectors.

DELIVERING ON OUR STRATEGY

The Bank has stayed on track of its RISE24 strategy that revolves around seven (7) strategic focus areas, with a total of 24 initiatives in place. Following the adverse impacts of the pandemic however, we recalibrated the RISE24 strategy in FY2020 to overcome the current and future challenges through initiatives that can deliver sustainable returns. The initiatives identified, and progress made on these initiatives are reported below:

Resetting Target Market

We aimed to identify new business areas, increase non-fund income, and expand our coverage as a whole to target wider and better-rated customer segments.

What we did

- Focused on better-rated customers. This included those categorised in the high income brackets and high income professionals.
- Followed our revised preferred and non-preferred sectors, with tourism and aviation now falling in the latter category.
- Focused on selective customers with good track record.
- Catalysed collaborations with government agencies, cooperatives and associations.

Achievements

- Since September 2020, through various campaigns launched to focus on better-rated customers, 36% out of total new personal financing of around 16,000 accounts comes from this targeted segment.
- Corporate financing packages were offered to selected companies in preferred sectors, such as oil and gas, healthcare and public utilities. These accounted for around 5,700 accounts for the year.
- Disbursed RM158.9 million of financing through collaboration with Syarikat Jaminan Kredit Perumahan ("SJKP") and Skim Rumah Pertamaku ("SRP") affordable home programmes to provide homes to low income earners, self-employed individuals and operators of small business entities.
- Through vigorous promotions and several campaigns, the Bank's gold investment generated a total of RM8.1 million for FY2020 against RM1.7 million contribution in FY2019.
- Supported the government's COVID-19 Special Relief Facility, a programme that provided collateral-free financing of up to RM1 million towards easing the burden of small and medium entrepreneurs ("SMEs").
- Launched the SIRIM-Fraunhofer programme to enhance productivity and competitiveness of SMEs, especially in the manufacturing sector.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Disciplined Balance Sheet Management

We aimed to optimise balance sheet expansion while maximising returns, and implemented an intensive recovery plan to improve asset quality.

What we did

- Continued to focus on current and savings account ("CASA") growth as source of low cost deposits.
- Collaborated with government agencies, associations and cooperatives.
- Continuous monitoring of market sentiments to assess availability of liquidity throughout the crisis to ensure ample demand and supply.
- Launched aggressive recovery plans especially for accounts in arrears.
- Performed Rescheduling and Restructuring of accounts that were affected by COVID-19 and MCO.

Achievements

- CASA recorded 31.5% y-o-y growth to register RM7.76 billion as at end of December 2020.
- Gross impaired financing ("GIF") improved from 1.31% in FY2019 to 1.07% in FY2020.

Digital Transformation

We aimed to create a digital economy through various collaborations and automate internal processes for smoother operations and services.

What we did

- Actively pursued collaborations on digital platforms.
- Enhanced structure and process flow for SME approvals.
- Provided ease of usage and simplify financing application process through digital innovation.
- Improved services and innovated products via digital platform.

Achievements

- Established an SME helpdesk at all branches with regional and branch managers appointed as contact points for SMEs. This has sped up SME financing approval to within three (3) days.
- Launched the Muamalat Application Platform ("MAP") in October 2020. This is a financing application platform that allows customers to apply for financing online as well as monitor and manage their finances anytime and from anywhere. Through MAP, more than 500 financing applications have been approved.
- Introduced the Ar-Rahnu online auction in July 2020 - a first of its kind in the Ar-Rahnu industry. The online auction uses an open tender system to public bidders where unredeemed gold items will be sold to the public and the surplus returned to customers if the sale price exceeds the remaining debt. A win-win solution that significantly reduced RM3.8 million of the Bank's Ar-Rahnu impairment in FY2020.
- Introduced e-Jamin, an online bail payment service to facilitate and expedite bail transactions for all courts. The e-Jamin channel contributed 50% of total *Wang Jaminan Mahkamah* collected for the year.
- Collaborated with US-based Shariah compliant digital investment platform, Wahed Inc. to gain a competitive edge in achieving the perfect balance in customer relationship management and wealth planning.
- The Bank's Trade Finance System was enhanced with integration to the core banking system.

Data Monetisation

Working towards optimising data analytics to generate income and ensure cost efficiency.

What we did

- Continuous implementation of the 3-year Data Management Roadmap plan towards developing an effective data management platform.
- Updated and enhanced policies on data governance and data quality.

Achievements

- The Bank has developed and established a robust Data Governance Structure.

Infrastructure

This is to enhance infrastructure for efficient service delivery and deliverables.

What we did

- Set up trade windows at regions.
- Upgraded Ar-Rahnu counters into Ar-Rahnu centres.

Achievements

- The Bank's trade-finance windows have been expanded and are now available across the Northern to Southern regions.
- Ar-Rahnu counters at 67 branches have been upgraded into Ar-Rahnu Centres.
- Established SME hubs at selected regions to intensify focus and efforts on attracting more SME portfolios.

Continuous Process Improvement and Shariah Innovation

Towards continuously improving our processes and products for a more competitive advantage and to elevate social finance.

What we did

- Developed/Implemented online account opening for existing customers through retail internet banking.
- Strengthened the functions of operational risk management.
- Continuously reviewed policies and processes to ensure smoother services.
- Expanded waqf and Zakat development in expanding social finance possibilities.

Achievements

- Appointment of a CCrO in July 2020 to oversee and review credit-related tasks including its policies and processes which will address any issue with overall credit portfolios, towards mitigating risks to credit and credit quality.
- Appointment of a CISO to oversee technology and cyber security aspects of the Bank, formulate the Technology Risk Management Framework ("TRMF") and Cyber Resilience Framework ("CRF"), and drive the implementation of bank-wide cyber security strategy.
- The Bank's Risk Appetite Statement has been enhanced to include considerations on economic sector concentration and liquidity coverage ratio.
- In September 2020, a crowdfunding platform, the Jariah Fund, was established to generate sustainable impact for underserved communities. As at December 2020, the platform collected RM40,415 in contributions from the public in support of the five (5) non-governmental organisations ("NGOs") selected by the Bank.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Talent Management

We continue to develop leaders and talent to support the growth of the Bank.

What we did

- Strengthened employee's performance and change in behaviour towards driving a high performance culture in the Bank.
- Appointed Regional or Branch Managers as SME contact points.
- Ensured ample training programmes to upskill and reskill our employees.

Achievements

- Provided online training programmes for employees that are accessible even outside of the office network.
- 16 online learning programmes were implemented in FY2020.

Towards a Sustainable Future

The year ahead holds promise for a more sustainable future, though perils are still at play. However, the Bank is confident that the efforts made to steer towards Value Based Intermediation and shape sustainability into every aspect of our operations, our culture and our mindset will stand us in good stead.

Moving ahead, the Bank will remain guided by the pillars of RISE24 strategy in becoming more competitive whilst espousing sustainable values; towards building a Strong Risk Culture, an ICT Driven Business, Shariah Innovations and staying steadfastly Earnings Oriented. Our seven (7) strategic areas are aligned to the current situation and provides a robust milestone to work towards. The Bank's priorities are to maintain resilient growth in the midst of the challenging economic landscape while still addressing the strategic focus areas as outlined in the business plan.

Internally, technology is our way forward in improving productivity through process automation, simplified end-to end processes and centralised documentations.

Given the continued economic uncertainties as Malaysia grapples with another wave of rising infections, the Bank sees a better growth for the retail investment business in FY2021 mainly in gold-related and Ar-Rahnu businesses. The low profit rate environment is seen as beneficial for retail consumers, and we foresee more growth in personal financing, auto financing and mortgage financing business. The plan is to accelerate business growth by focusing on better-rated customers based on the income pyramid strategy, introducing new innovative products, and staying agile in defending asset quality. This will be balanced with continued growth on low cost fund deposits in the form of current and savings accounts ("CASA") in view of the low profit rate environment and to fortify capital and liquidity conservation.

Technology and digital transformation continue to be key and will be driven by providing an effective digital solution that combats fraud, enhances customer experience and meets BNM's regulations. On this front, continued collaborations will be actively sought and leveraged towards realising a seamless digital channel and more digital solutions. Internally, technology is our way forward in improving productivity through process automation, simplified end-to-end processes and centralised documentations.

The Bank's risk and compliance culture will be further strengthened by implementing an effective compliance management programme for robust enforcement of regulatory requirements as well as managing legal and reputational risk through enhanced risk management processes.

The pillars of RISE24 strategy guide us forward in becoming more competitive whilst espousing sustainable values; towards building a Strong Risk Culture, an ICT Driven Business, Shariah Innovations and staying steadfastly Earnings Oriented.

All these improvements will run concurrently with our continued focus on developing leadership qualities and nurturing the talent within our workforce. In shaping our employees' performance, mindset and change in behaviour the Bank's "Brilliance Through Islah" programme will be used to provide an understanding and application of Shariah values into mobilising a high performance culture. Training classes, motivational sessions and intervention programmes will continue to be utilised for the development of employees' IQ and EQ.

APPRECIATION

As I look back on the year, the lasting image is that of the COVID-19 pandemic which has tragically infected millions of people across the globe. My heart goes out to those who have lost their loved ones. Meanwhile, let us salute the doctors, nurses and other civil servants who are at the front lines of the war against COVID-19.

The key to braving new challenges is to come together and forge supportive relationships. I take this opportunity to thank our ecosystem of stakeholders - the government, regulators, customers and communities who have led the way forward, abided by the needs of society at this trying time and adopted to the new norms.

Our people have been the Bank's core drivers in navigating through this challenging year. My appreciation goes out to our dynamic management team and capable employees for striving towards our goals with utmost dedication and strong team spirit. They have been asked to deliver beyond their normal scopes this year and none has faltered.

I would also like to record my appreciation to our sterling Board of Directors for their strong leadership in anchoring us in good governance, as they propel us towards our aspirations of becoming a a better Bank in every way we can.

Thank you.

KHAIRUL KAMARUDIN
Chief Executive Officer

SHARIAH COMMITTEE CHAIRMAN'S STATEMENT

In the Name of Allah, The Most Gracious, The Most Merciful

Assalamualaikum Warahmatullahi Wabarakatuh,

Alhamdulillah,

All Praise is Due to Allah SWT, the Salutations and Greetings to Our Prophet Muhammad SAW and His Entire Family and Companions.

TN. HJ. AZIZI CHE SEMAN
CHAIRMAN, SHARIAH COMMITTEE

Bank Muamalat's commitment to Shariah and the Islamic Shariah principles and guidelines is all encompassing. The Shariah Committee ("SC") of Bank Muamalat is entrusted to ensure that the Bank's aims and operations, business, affairs and activities are in compliance with Shariah principles and guidelines. Every product and service offered by the Bank must be endorsed by the Shariah Committee prior to its offer to a customer.

Within the SC, we aspire to strengthen Shariah governance and integrate it within the Bank's core strength so that all stakeholders are assured that every income received by the Bank is legitimate (halal); and benefit from high impact Shariah research that leads to greater Shariah innovation in the Bank's products and services.

Towards continuous elevation of Shariah governance, transparency and integrity, several key agenda items were successfully completed during the course of the year. These included updating the Bank's internal Shariah Governance Policy with new clauses, Standard Operating Procedures ("SOPs") and documentation, guidelines and mechanisms, in order to conform to BNM's new Policy Document on Shariah Governance ("PDSG") which came into effect on 1 April 2020.

The SC also completed the development of the Maqasid Shariah Framework and embedded this within the Shariah Governance Policy. Another highlight was the formulation of the Shariah Committee Charter in order to enhance roles and responsibilities of the SC.

When faced with the year's challenging operating environment, the Committee took to heart the words of Rasulullah SAW when asked what type of earning was best. The reply, **"A man's work with his hand and every business transaction which is approved," (Rafi' ibn Khadij, Mishkat al Masabih, Hadith no. 2783)** guided our steadfast commitment to meet, discuss, deliberate and provide resolutions on the issues of the day, within the constraints of time and social distancing we faced in FY2020.

The main focus for the year was the application of financing moratorium from a Shariah perspective; approvals on the reschedule and restructure approach for customers who opt for moratorium payment assistance; and approval on new products and services initiated by the Bank. The new SOPs required also led to an increasing number of daily advisory issues that had to be resolved.

In FY2020, the SC endorsed the following new products and services:

- Ar-Rahnu Tawarruq
- Jariah Fund
- Wahed Invest Islamic Digital
- Islamic Multi Currency Trade Financing) ("MCTF-i")
- Danajamin Prihatin Guarantee Scheme ("DPGS")
- EasiGold Account Mobile Application
- Collaterised Personal Financing-i Programme and MCash Facility

In compliance with SOPs and mindful of the need for swift responses, most meetings were conducted via online platforms with several sign-offs by committee also done virtually. There were several issues of disruptions due to breaking line or limited access to an online platform, but all in all a total of 11 Shariah Committee meetings were successfully held in FY2020.

Rasulullah SAW reported: The seeking of knowledge is obligatory for every Muslim.

(Ibn Majah and Bayhaqi in Shu'ab al-Iman; Anas Ibn Malik in Al Tirmidhi, hadith 74).

Moving further into a new balance of VBI banking, the SC will continue to play a vital role in several of the Bank's aspirations that require innovative ways in which to optimise wakaf and zakat funds in helping to uplift the bottom 40% income segment (B40) of our population. The SC will also work to provide research papers via the Shariah Division on proposing new initiatives and product structures specifically to help B40 and asnaf (zakat eligible) categories. Our activities will always include system enhancements to improve online communication platforms and reduce human intervention and error, as we continue to ensure the Bank maintains robust processes and policies on Shariah compliance.

APPRECIATION & ACKNOWLEDGEMENTS

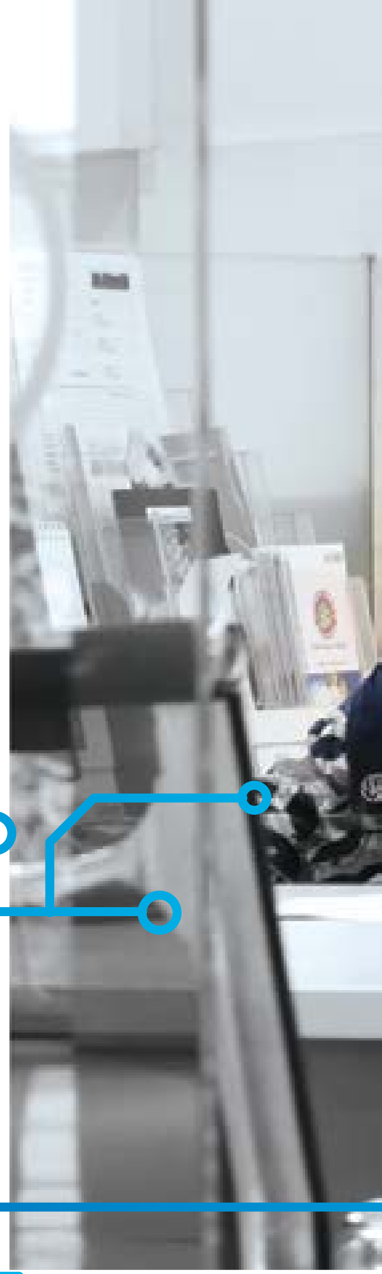
Allah SWT says, "And if Allah touches you with affliction, none can remove it but He: But if He bestows upon you a favor, remember that He is the Possessor of every power to do all that He wills." Al-An'am

I take this opportunity to acknowledge the hard work and commitment of members of the SC who have been unwavering in giving their best to fortify Shariah governance and innovation for the good of all. We would like to express our gratitude to YM Engku Ahmad Fadzil Engku Ali who ended his tenure on 31 March for his contributions to the Bank's Shariah journey during the year under review. More members will soon join the SC as we aim to strengthen our composition in order to effectively journey forth in achieving the Bank's goals.

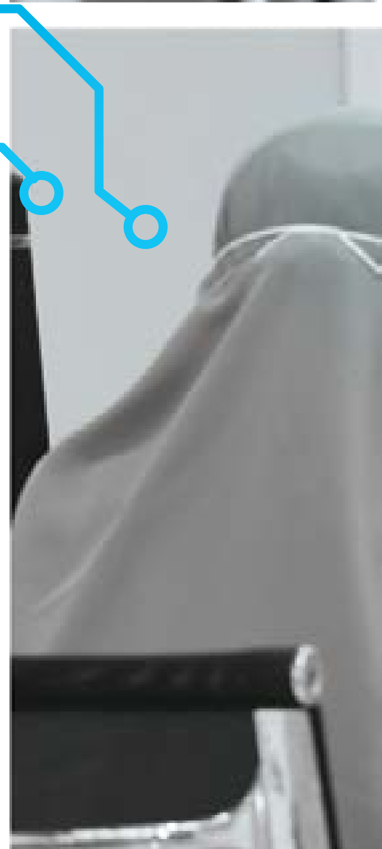
In-sya'-Allah, with steadfast purpose and sincere intentions, the SC can grow the possibilities of Shariah-led financing for Bank Muamalat towards abundant benefits for our stakeholders.

Thank you and regards,

TN. HJ. AZIZI CHE SEMAN
Chairman, Shariah Committee



SHAPING THE POTENTIAL OF OUR EMPLOYEES



Bank Muamalat is actively pursuing a High Performance Culture through Shariah values under the "Brilliance through Islah" training series that motivates, trains and focuses on IQ and EQ development. This is part of the Bank's comprehensive training and e-Learning initiatives which have now been made accessible to our staff everywhere and anytime through online platforms.

INDUSTRY AND MARKET OVERVIEW

GLOBAL

2020 Review

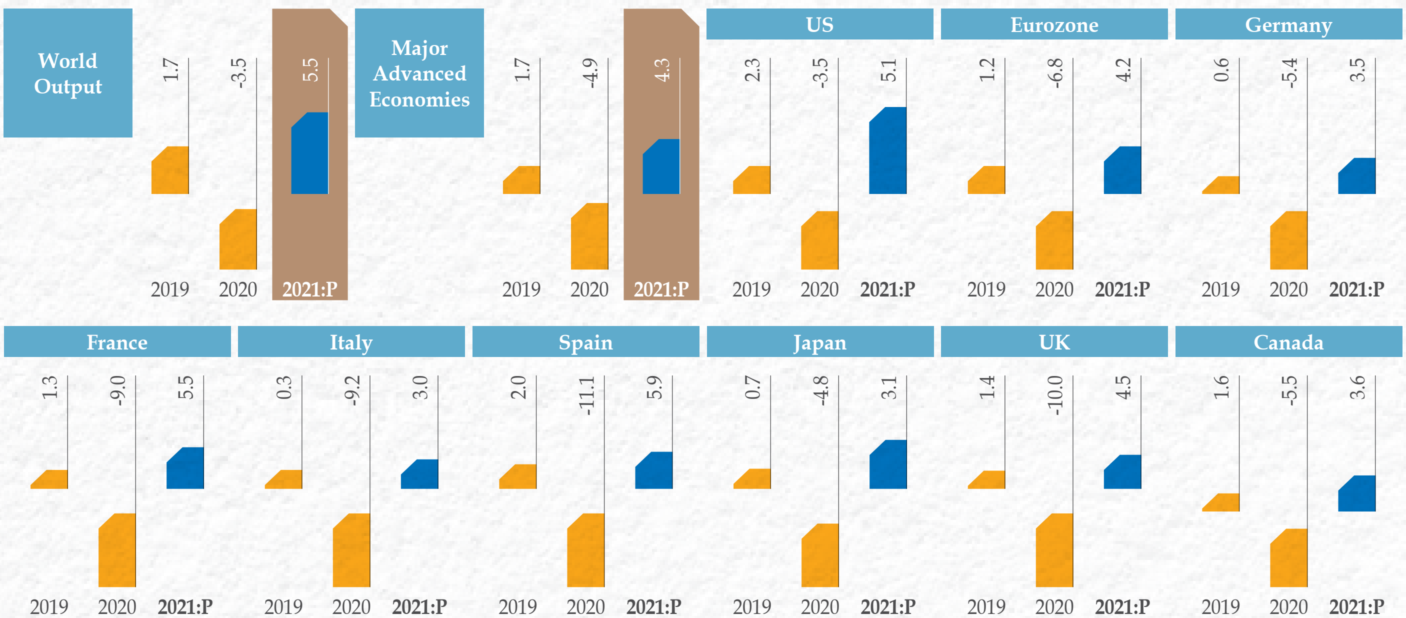
The Year 2020 brought a barrage of unforeseen challenges. Global economies reeled from the unprecedented impact of the Novel Coronavirus ("COVID-19") pandemic. Lockdown measures that were imposed globally brought key economic sectors, to a near-standstill while national healthcare systems were pushed to their limits. Economic volatility was further exacerbated by an oil price war which saw Brent crude price sliding to USD9.12 per barrel in April 2020. In addition, political conflict in several major countries led to further uncertainties.

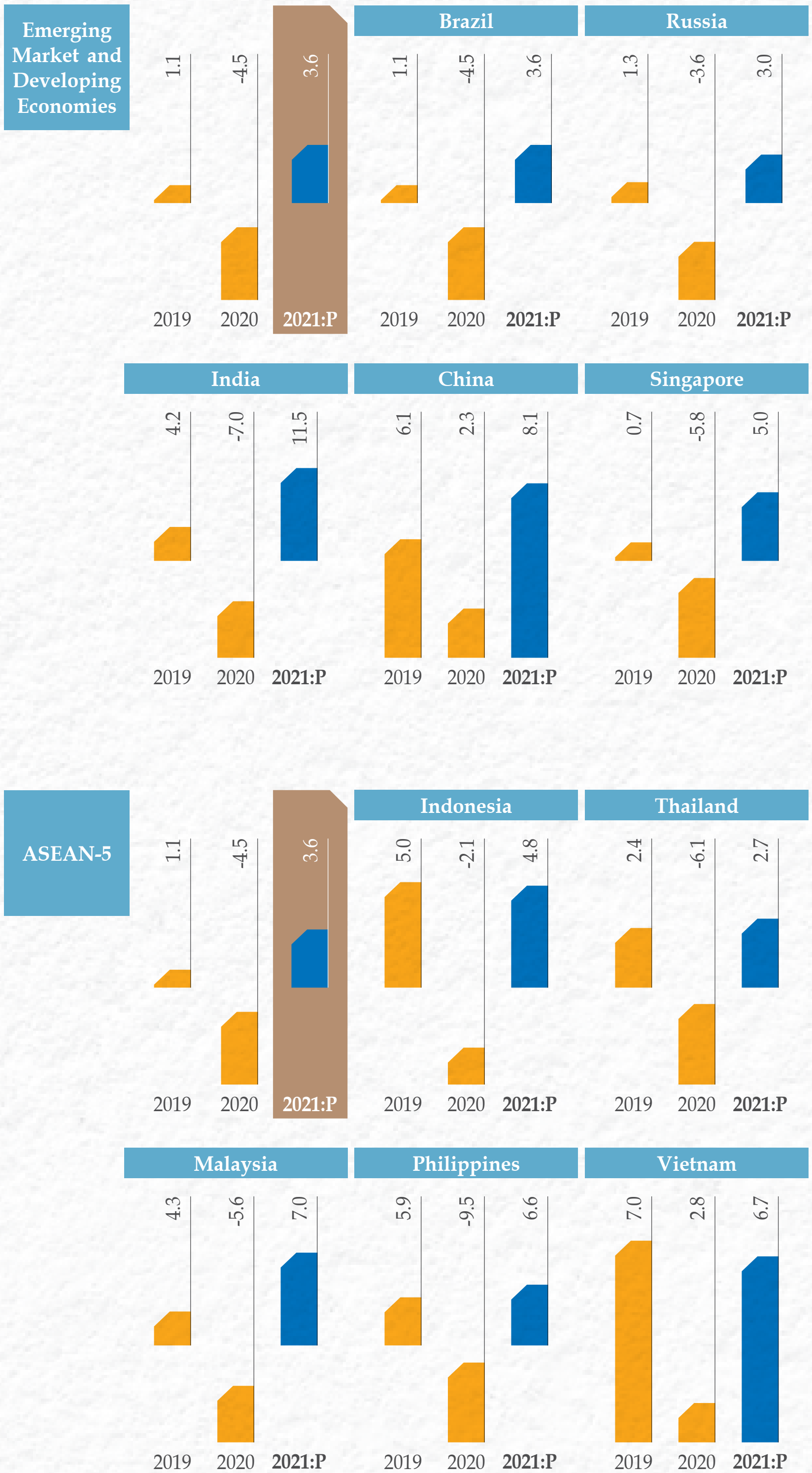
In essence, the global economy was climbing out from the depths to which it had plummeted during the lockdowns and movement restriction periods to contain the COVID-19 pandemic in April 2020. However, as the pandemic continues to spread, many countries have slowed re-opening their borders and some are re-instating partial lockdowns to protect susceptible populations. While recovery in China has been faster than expected, the global economy's long ascent back to pre-pandemic levels of activity remains prone to setbacks.

Global economic growth contraction for 2020 is estimated at -3.5% year-on-year ("y-o-y"), i.e. 0.9 percentage points higher than projected in the previous International Monetary Fund ("IMF") forecast, reflecting a stronger-than-expected momentum in the second half of 2020. However, governments will have to consider providing more fiscal stimulus to ensure economic activities continue to pick up. In the United States, there are growing expectations for a new government stimulus package because the labour market recovery has weakened, raising concern over sustainability of growth for personal consumption expenditures. The US Federal Reserve is expected to keep its low interest rate policy through the next few years and will allow inflation to go higher so that the recovery in the labour market and the economy will be more entrenched. The European Central Bank also reiterated its readiness to provide more monetary stimulus should pandemic resurgences derail the region's economic recovery. Countries that continue to struggle with the pandemic are expected to maintain an expansionary policy stance to cushion the impact of the ongoing health crisis on the real economy.

Central banks in certain countries will start to normalise its policy interest rates to address the gradual rise in inflationary pressures while keeping an accommodative stance to sustain economic recovery. Maintaining interest rates at low levels for too long may spur the risk of overheating an economy due to the abundant liquidity. This could create the risk of an asset bubble and rapid growth in indebtedness. Pursuant to that, some major central banks such as the People's Bank of China is expected to address these emerging risks to avoid another potential crisis in the future.

Global Real GDP
(%, change)





Source: Overview of World Economic Outlook Projections by IMF

Outlook for 2021

Recent vaccine approvals and vaccination programme have raised hopes of a global turnaround in 2021, although renewed waves and new variants of the virus pose concerns. Amid the uncertainty, the global economy is projected to grow 5.5% y-o-y in 2021. The 2021 forecast is revised upward 0.3 percentage point relative to the previous IMF forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.

The US economy is expected to record positive growth in 2021, mainly driven by the sustained recovery in personal consumption expenditures. The improving economic environment will also entice businesses to increase its fixed investment as well as hiring. This in turn will provide support for consumer spending due to improved labour market conditions and possible fiscal stimulus to be injected by the new US administration. A more concerted effort from the US government and the availability of vaccines will be crucial to effectively control the pandemic spread and restore confidence on the US economy. However, improvements in the US labour market will be gradual and it will take time for the unemployment rate to return to pre-pandemic levels of around 3.5% (latest: 6.7% in November 2020).

Meanwhile, given the recent signs of China's successful containment of the COVID-19 infections, its economy is expected to grow relatively better than other economies. Projected growth is 8.1% y-o-y in 2021, driven by growing domestic spending, which will be in line with its government's aspiration to build a stronger and sustained source of growth from within the country. Its consumption activity has recovered and retail sales growth rebounded to positive in recent months. The recovery in exports will also contribute to sustained expansion in China's manufacturing and trade-related activities next year. Nevertheless, the rapid increase in COVID-19 cases in India, Europe and the US will be a cause of concern for China's trade outlook if the situations remain unchecked. Other downside risks that could affect China's economic stability include the high level of debts among the state-owned enterprises ("SOEs") and the risk of overheating in the property market.

INDUSTRY AND MARKET OVERVIEW

MALAYSIA

2020 Review

Malaysia's gross domestic product ("GDP") declined by 3.4% y-o-y in the fourth quarter of 2020, following the reinstatement of social distancing measures to contain the surge of virus infections. 2020's full year GDP contraction stood at 5.6% y-o-y. The government introduced a nationwide movement control order ("MCO") commencing 18 March 2020 to curb the spread of the virus. The most severely hit economic sectors from these restrictions were manufacturing, tourism and construction.

The MCO led Malaysia to record the worst performance in terms of GDP growth among ASEAN-5 countries in the second quarter of 2020. However, as Malaysia eased restrictions by stages, the recovery was much faster in the third quarter, exceeding the performances of Singapore, Indonesia and Philippines.

Weaker consumer spending due to the physical movement restrictions have had a spillover effect on the services industry, particularly consumer-related sub-sectors such as retail trade, restaurants, hotels, travel, education and recreation services. International border closures also added to this impact. Nevertheless, the risk to consumption was cushioned by growing online purchases as Malaysians adjusted to the 'new normal', facilitated by the availability of e-commerce platforms, home delivery services and online financial services.

In a bid to provide assistance to the most affected consumer and business segments, the Malaysian government implemented the necessary expansionary fiscal and monetary policies, with RM38 billion direct fiscal injection from the RM305 billion economic stimulus packages announced in FY2020, which include PRIHATIN, PRIHATIN SME+, PENJANA and KITA PRIHATIN.

Following the announcement of the expansionary 2021 budget, Fitch Ratings lowered its sovereign credit rating on Malaysia by one notch to BBB+ due to the negative impact of the pandemic on its fiscal position and political risks.

Malaysia GDP by Demand and Sectors (%, change)

	2019	2020	2021:P
Real GDP	4.3	(5.6)	7.0**
By Demand:			
Domestic Demand	3.3	(5.1)	6.5
Private Consumption Expenditure	7.6	(4.3)	5.7
Government Consumption Expenditure	2.0	4.1	4.0
Gross Fixed Capital Formation	(2.1)	(14.5)	9.6
External Demand:			
Exports of Goods and Services	(1.3)	(8.8)	7.3
Imports of Goods and Services	(2.5)	(8.3)	9.4

Source:
**Overview of World Economic Outlook Projections by IMF
Oxford Economics

Outlook for 2021

The ongoing COVID-19 pandemic will remain as the biggest threat to the economic recovery process followed by other issues such as rising protectionism, geopolitical tension, political instability and volatility in commodity prices. Generally, Malaysia's GDP growth is projected to return to positive in 2021, with the Malaysian government forecast of 6.5% to 7.5% y-o-y, while the IMF, the World Bank and Bloomberg median forecast GDP growths of 7.0%, 5.6% to 6.7% and 5.5%, respectively. The expectation was generally based on the prospect of the successful containment of the virus in the country and also by its key trading partners, including China, Singapore and the US.

The latest resurgence in cases in the months of January and February 2021 has forced another round of lockdown restrictions, albeit viewed to be less stringent than what was previously imposed and most economic activities are allowed to continue operating within a strictly controlled environment.

As economic activities resume and sentiments improve, private consumption and private investment are expected to rebound in 2021. The improving domestic demand trend is expected to become more evident in 2021, arising from improving labour market, benign inflation, and numerous pro-consumption initiatives announced by the government in its various economic stimulus packages. These initiatives will encourage more spending moving forward as it raises the Rakyat's disposable income.

Meanwhile, an increase in both domestic and global demands will raise local production, which would push for business expansions or encourage the opening of new businesses. Soft loan/financing funds, grants and other financial aid for entrepreneurs on top of Micro Franchise Development programmes introduced by the government through its various stimulus packages, will be positive for new investment activities.

A gradual return in global activities as countries emerged from COVID-19 shocks will result in more trade flows in 2021. The robust performance of China's economy added support to this expectation as the country is Malaysia's largest trading partner. As such, China's economic recovery would translate into continuous increase in demand for Malaysia's export products.

BANKING SECTOR REVIEW & OUTLOOK

2020 Review

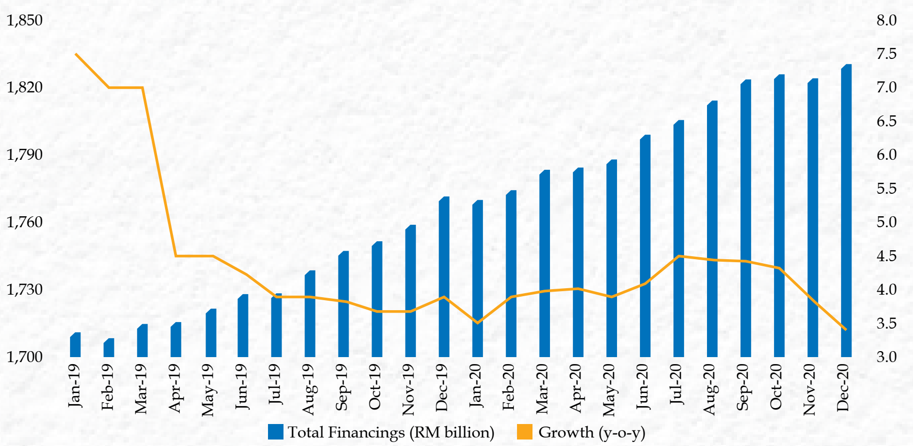
As with the majority of economic sectors, banks were not spared the impact of the COVID-19 pandemic. The MCO implemented on 18th March 2020 led to a halt in economic activities and raised the risk of banks' asset quality deteriorating rapidly. Fortunately, the government and Bank Negara Malaysia ("BNM") stepped in with a swift policy action via stimulus measures to provide support to the economy and businesses, and indirectly to banks. The blanket loan/financing moratorium gave breathing space to those adversely affected, including the banks. Banks were also allowed to not categorise restructured and rescheduled accounts as impaired, thus cushioning the banks' asset quality from deteriorating extensively.

The banking sector's performance in the fourth quarter of 2020 was unsurprisingly weak due to elevated provisions across almost all the banks, with aggregate sector earnings for the quarter plunging 33% y-o-y as net provisions more than tripled over the same period. The sector's net credit costs jumped by 131 basis points ("bps") as additional overlays and buffers were set aside. Delinquencies, mainly from the retail/consumer segment, had also risen following the automatic moratorium's expiry in October 2020. Up until February 2021, around 13% of the banks' financings were under financial assistance, of which 9% were covered through Stage 1 and Stage 2 provisions stock. Given the ongoing market uncertainty, credit costs are expected to moderate from 2020 highs but still elevated at around 60 bps.

Following the aggregate 125 bps policy rate reductions by BNM up until July 2020, a strong margin recovery was observed across the industry. Reported net interest margin ("NIM") recovered by an average of 13 bps on quarterly basis, as fixed deposits were re-priced and current account and savings account ("CASA") deposit balances stayed high.

Muted growths of circa 2.5% y-o-y and 0.7% quarter on quarter ("q-o-q") were recorded for financings in the last quarter of 2020. The availability of Targeted Payment/ Repayment Assistance ("TPA TRA") programmes to the retail/consumer segment enabled most banks to avoid potential non-performing loans financings ("NPL/ NPF") shocks after the automatic moratoriums ended in October 2020. Nevertheless, delinquencies did increase, particularly for customers on reduced installments. On a q-o-q basis, absolute gross impaired loans ("GIL") rose by 4.0% for the banking system, most of which originated from the more retail-centric banks.

Banking System Financing Growth



Outlook for 2021

A vaccine-induced recovery in 2021 remains intact and provides overall positive sentiment for almost all economic sectors, including the banking sector. The financial performance of the banking sector is closely tied to the economic performance, being its backbone. Economic activities create demand for financial services such as productive financings for businesses, consumptive financings and transactional deposits.

The banking sector is projected to be among the direct beneficiaries of the positive rebound in the country's GDP growth in 2021. In general, forecasts for Year 2021 include: (i) provisions and financing impairments to start tapering by the third quarter of 2021; (ii) better growth from net interest income ("NII") coming from robust financings growth and low cost of fund; and (iii) operating expenditure ("OPEX") continues to be well contained. For FY2021, earnings of banks are projected to expand by circa 19.0% y-o-y from the expectation of 24.0% y-o-y contraction in FY2020.

Amid the anticipated improved economic environment, demand for financings in 2021 is expected to accelerate, leading to higher financings growth especially in the second half of 2021. Consumer demand should remain resilient, supported by the extensions of automotive sales tax exemption until June 2021 and Home Ownership Campaign until May 2021. Besides that, the business segment would also drive financings growth in 2021 to fund for the expected increase and recovery of business activities. As such, financings growth for FY2021 is forecast at 5.0% y-o-y (against 3.4% y-o-y in FY2020).

STAKEHOLDER ENGAGEMENT

Stakeholder Group	Engagement Platform	Stakeholders Expectations
Shareholders & Investors	1. Annual reports 2. Sustainability statements 3. Quarterly financial announcements 4. Online communications (e-mail, corporate website, social media) 5. Meetings and discussions (upon request)	1. Sustainable financial returns with prudent cost management 2. Proactive management of asset quality and credit risks from exposure to sectors affected by the pandemic 3. Sound balance sheet management 4. Sustainable and long-term business strategy 5. Integration of VBI elements in business operations 6. Ethical and responsible business conduct 7. Strong and experienced directors and management 8. Transparent reporting and disclosures 9. Initiatives to mitigate effects of the pandemic
Customers	1. Digital touchpoints: internet banking, digital apps 2. Online communications (e-mails, corporate website, social media) 3. Sales & Customer Service Centres 4. Call centres 5. Customer networking events 6. Representatives at branches 7. Printed materials 8. Customers survey	1. Innovative financial solutions in products and services offered 2. Convenient, continuous and safe access to banking services during the pandemic 3. Value-for-banking products and services that are both competitive and transparent 4. Secured and safe environment to conduct banking activities especially through digital channels with strict customers data protection 5. Excellent customer service
Business Partners	1. Online communications (e-mail, corporate website, social media) 2. Formal & informal engagements 3. E-Procurement system	1. Convenient access to procurement systems 2. Fair and equal evaluation of vendors and their proposals 3. Communicate fair conditions that satisfy both suppliers and the Bank's needs 4. Communicate new policies, guidelines or strategies to ensure optimal performance 5. Transparent reporting and disclosures to ensure smooth collaboration with potential partners
Regulatory Agencies & Statutory Bodies	1. Regular updates and reporting to regulators 2. Actively participate in regulatory forums, briefings, meetings, conferences and consultation papers	1. Compliance with all legal and regulatory requirements 2. Good corporate governance 3. Transparent reporting and disclosures 4. Active participation and contribution to industry and regulatory working group
Local Community	1. Community engagement activities 2. Online communications (e-mails, corporate website, social media) 3. Digital touchpoints: mobile apps, internet banking, SMS blasts) 4. Live forums like Fadhilat Muamalat 5. Printed materials	1. Financial and VBI literacy awareness 2. Bank-led efforts in tackling common social, economic and environmental issues 3. Providing feasible and convenient access to advisory on suitable financial solutions 4. Social responsibility role in building a resilient and thriving community
Employees	1. Bank's internal portal and e-mails 2. Employee dialogue sessions with CEO 3. Annual engagement survey 4. Social and recreational activities 5. Regular employee engagement events and programmes 6. Meetings and roadshows	1. Fair remuneration, recognition and effective performance management 2. Balanced work-life environment 3. Various opportunities for career development and advancement 4. An empowering environment that embraces diversity and enables employees to deliver quality work output 5. A safe, healthy and conducive workplace supported by flexible work practices

Response from Bank to these Expectations	Relevant Material Matters
1. Implementation of our 5-year strategic plan for long-term sustainable growth 2. Re-prioritisation of strategies to adapt to the vulnerable market landscape due to the pandemic 3. Activation of business continuity plan to ensure uninterrupted services 4. Transparency in corporate reporting and disclosures through multiple platforms 5. Realignment of risk appetite and financing strategies to curb impact to the Bank due to the pandemic 6. Appointment of directors and senior management with vast experience and knowledge 7. Continuous integration of VBI practices in products and services 8. Timely response to concerns raised	1. Economic performance 2. Responsible financing 3. Digital banking 4. Energy consumption and environmental impact 5. Ethics and integrity
1. Innovate offerings to address customers' financial needs 2. Extend financial relief assistance 3. Implement strict SOPs to ensure customers' safety at branches 4. Enhance touchpoints, physical or digital, to maximise customers' satisfaction 5. Drive service excellence via skilful and trained customer services personnel 6. Improve processes to deliver operational excellence 7. Enhance end-to-end cyber response and simulation plans to ensure cyber resilience 8. Continuously strengthen IT security 9. Continuous awareness via online communication and digital touchpoints to educate customers and employees on potential fraud and scams	1. Economic performance 2. Digital banking 3. Ethics and integrity 4. Entrepreneur development 5. Responsible financing 6. Financial inclusion 7. Customer experience
1. Support local vendors 2. Conduct vendor site visits and offline review to ensure responsible practices maintained 3. Conduct engagement sessions to ensure vendors' understanding on the procedures, processes, guidelines, expectations of deliverables and quality 4. Conduct engagement sessions to ensure fair practices and vendor outsourcing is transparent	1. Procurement practices 2. Economic performance 3. Digital banking 4. Ethics and integrity
1. Continuous updates on our system and processes to meet current compliance and risk requirements 2. Effective compliance delivery, risk management and governance to meet regulatory requirements 3. Integrate Value-Based Intermediation ("VBI") elements into risk management practices 4. Timely and transparent reporting to regulatory agencies and statutory bodies	1. Economic performance 2. Responsible financing 3. Ethics and integrity 4. Energy consumption and environmental impact
1. Collaboration with various state religious councils and continuous engagement with government agencies 2. Engage with communities by conducting community programmes to cater to their needs 3. Promote access to advisory on suitable financial solutions via digitalisation 4. Extend financial relief assistance 5. Launched Jariah Fund, a social welfare crowdfunding platform	1. Community development 2. Energy consumption and environmental impact
1. Enhance delegation of tasks and address the need to improve employees' performance 2. Strengthen online learning and career development programmes to equip employees with essential skills for them to be at par with their peers in the industry 3. Salary benchmarking exercise against market practice 4. Conduct employee engagement and employee satisfaction surveys 5. Implement strict SOPs to ensure employee's safety at workplace 6. Introduce split operations to ensure ease of working and curb the spread of pandemic at the workplace	1. Employment 2. Diversity and equal opportunity 3. Training and education 4. Ethics and integrity

OUR MATERIAL MATTERS

WE HAVE IDENTIFIED OUR MATERIAL MATTERS BY IDENTIFYING, EVALUATING AND PRIORITISING RELEVANT THEMES WHICH IMPACT OUR DELIVERY OF VALUE OVER THE SHORT, MEDIUM AND LONG TERM.

HOW WE DETERMINE OUR MATERIAL ISSUES

We view the materiality determination process as a business tool that facilitates integrated thinking.

Identification

In defining our material issues, we have reviewed previous material matters, engaged with our stakeholders on their expectations, concerns and needs, as well as assessed issues relevant to industry best practices such as the Global Reporting Initiative ("GRI") Standards and the Integrated Reporting <IR> Framework.

Evaluation

Our senior management has evaluated the identified material matters internally, guided by standards such as Bursa Malaysia Securities Berhad's Main Market Listing Requirements and the International Integrated Reporting Council ("IIRC") framework, as well as externally by measuring the matters across its impact on our business and relevance to our stakeholders.

Prioritise

We prioritised our material matters based on its importance to our business and our stakeholders.

The following provides information on our material matters, how we have responded to the matters, the relevant stakeholders impacted and the sections in this Report which disclose our response to the matters:

	What it Means to the Bank	Discussed in
Ethics and Integrity	• Compliance with all applicable laws and regulations by BNM, CCM and other relevant local authorities; IFSA, AMLA, PDPA etc • Compliance with the capital adequacy and liquidity guidelines as stipulated by Basel III • Value Based Banking practices that are aligned with VBI principles • Enshrining a commitment of ethical conduct and behaviour throughout the organisation, from directors to officers	• AR: Stakeholder Engagement • AR: Delivering our Strategy • SR: Procurement Practices • SR: Ethics & Integrity
Economic Performance	• Ensuring the Bank's strategic direction, operational activities and business create direct economic value to the society; and are aligned to Malaysia's Economic Plan	• AR: Segmental Performance • AR: Business Model • SR: Responsible Financing • SR: Entrepreneur Development • SR: Economic Performance
Entrepreneur Development & Responsible Financing	• Strategy, initiatives and efforts to help the underserved segments that drive the economy (i.e SMEs, MSMEs, Entrepreneurs) • Financing that satisfies the ESG criteria • Financing that do not support unethical activity	• AR: Business Model • AR: Stakeholder Engagement • AR: Delivering our Strategy • AR: Segmental Performance • SR: Responsible Financing • SR: Entrepreneur Development • SR: Economic Performance
Procurement Practices	• Covers the practice of buying goods and services; including processing of a demand, receipt and payment approval • Ensuring a stable, fair and sustained supply chain through SOP, initiatives, evaluation criteria and vendor on-boarding process • Efforts in social procurement to ensure future vendors/ Bank's supply chain will not abuse local and international human rights	• AR: Stakeholder Engagement • SR: Procurement Practices • SR: Ethics & Integrity

OUR MATERIAL MATTERS

	What it Means to the Bank	Discussed in
Digital Banking	• Exploring digital transformation and building internal capability for greater customer experience, accessibility and efficiency • Technological development and digitisation of financial services to assist customers in their banking needs and to also expand our customer base, from various medium of communication	• AR: Business Model • AR: Stakeholder Engagement • AR: Delivering our Strategy • SR: Digital Banking • SR: Customer Experience • SR: Financial Inclusion
Energy Consumption & Environmental Impact	• Optimising energy consumed in various forms (such as fuel, electricity and water) for the Bank's operations • Monitoring efficient management of natural resources • Conducting activities (for the community and the Bank) to help improve the environment	• AR: Business Model • AR: Stakeholder Engagement • SR: Energy Consumption & Environmental Impact
Community Development	• Empowering communities through development programmes that create positive impact	• AR: Stakeholder Engagement • AR: Business Model • AR: Segmental Performance • SR: Community Development • SR: Responsible Financing • SR: Procurement Practices
Customer Experience	• Customer service performance and initiatives taken by the organisation to improve service delivery whilst maintaining compliance with existing laws and regulations regarding customer confidentiality • Creating an enjoyable, reliable and memorable customer journey whilst managing the right balance between digital and traditional approach	• AR: Business Model • AR: Delivering our Strategy • AR: Stakeholder Engagement • SR: Digital Banking • SR: Customer Experience • SR: Financial Inclusion

	What it Means to the Bank	Discussed in
Diversity and Equal Opportunity	• Ensuring diversity within the Bank to gain access to a larger pool of potential candidates and also create an environment of equality and social stability which subsequently supports economic development • Ensure employees are treated equally and given fair treatment based on individual merit • Protect employees from comments or actions of discrimination and harassment on the grounds of race, colour, sex, religion and political opinion	• AR: Business Model • AR: Stakeholder Engagement • SR: Employment • SR: Diversity & Equal Opportunity
Training & Education	• Improve human capital through education and information dissemination • Ensure ability to perform by attaining a required level of knowledge or skill • Expand the knowledge base of employees towards better organisational development	• AR: Delivering Our Strategy • SR: Employment • SR: Training & Education
Employment	• Covers the Bank's approach to hiring, recruitment, retention and related practices, as well as: • Ensuring the wellbeing of employees • Providing rewards and recognition based on merit and contribution • Improve the Bank's ability to attract and retain talent	• AR: Business Model • SR: Employment • SR: Training & Education • SR: Diversity & Equal Opportunity
Financial Inclusion	• Creating effective touchpoints to communicate with customers, potential customers and businesses and provide access to useful and affordable products.	• SR: Financial Inclusion • SR: Community Development

Note : Annual Report ("AR") and Sustainability Report ("SR")

MITIGATING PRINCIPAL RISKS

At Bank Muamalat, formulation and implementation of sound risk strategies go hand-in-hand with building and executing our business and sustainability strategies. Continuous risk identification, analysis and mitigation have been and shall remain as key components of risk management. While good and efficient risk management is critical in ensuring business resiliency, survival and success, prudent risk management provides the buoys and anchors to tide through periods of volatility and high uncertainties. In addition, mindful risk management cascades positive impact and value for all stakeholders..

Type of Risk	Credit Risk	Market Risk	Rate of Return Risk	Liquidity Risk
Description and Impact of the risk on BMMB	The risk of financial loss if a customer or counterparty fails to meet its obligations. It is the primary source of risk to the Bank. *This risk may impact the Bank's profitability, liquidity, asset quality and reputation.*	The risk of losses in on- and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, equity and commodity prices, which may adversely impact earnings and capital positions. *The risk may present an impact on the Bank's profitability, liquidity and capital.*	The risk of variability of assets and liabilities arising from volatility of market benchmark rates, impacting portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value. *The Bank's capital, liquidity and profitability may be impacted by the risk.*	The risk of inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from depositors. This ability has a serious implication on reputation and continued existence. *The risk could impact the Bank's capital, liquidity, profitability, liquidity and reputation.*
How we manage or mitigate the risk	• Enhance key risk indicators to monitor emerging credit risk and provide early warning signals • Ongoing review, enhancements and monitoring of risk appetite. • Enhance and tighten risk acceptance criteria • Periodic review on credit ratings/scoring • Ongoing monitoring on collaterals, guarantees and risk limits • Conduct periodic stress testing and scenario analysis • Diversify into new market segments for consumer financing • Streamline and enhance credit risk policies	• Develop hedging strategies against adverse price movements • Enhance monitoring in market risk limits • Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals • Diversification in pricing strategy • Conduct periodic stress testing and scenario analysis	• Develop hedging strategies against adverse price movements • Enhance monitoring in market risk limits • Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals • Diversification in pricing strategy • Conduct periodic stress testing and scenario analysis • Enhance risk strategies and monitoring in Asset and Liabilities Management	• Enhance liquidity limits and strategy to manage and optimise liquidity position • Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals • Enhance Liquidity Contingency Funding Plan to manage liquidity crisis • Ongoing monitoring of liquidity crisis early warning signals • Diversification in pricing strategy • Conduct periodic stress testing and scenario analysis
Link to Material Matter and/or Strategy	• Ethics & Integrity • Economic Performance • Entrepreneur Development & Responsible Financing • Customer Experience • Financial Inclusion • Digital Banking	• Ethics & Integrity • Economic Performance • Financial Inclusion • Digital Banking	• Ethics & Integrity • Economic Performance • Financial Inclusion	• Ethics & Integrity • Economic Performance • Financial Inclusion • Digital Banking

We strive to manage our risks by thoroughly understanding the positions and concerns of our stakeholders in determining issues that are material to the business. Here, we outline the principal risks within our operating environment and define the ways in which they could affect Bank Muamalat as well as key developments of those risks for FY2020.

Operational Risk	Shariah Non-Compliance Risk	Technology and Cybersecurity Risk	Strategic Risk	Reputational Risk
The risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. The effect may extend beyond financial losses and may result in legal and reputational risk impacts. *This risk could also create an impact on the Bank's profitability and ability to meet regulatory requirements as well as disrupt the Bank's business.*	The risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee ("SC") of the Bank and relevant Shariah regulatory councils or committees. *This risk creates regulatory, profitability and reputation impacts.*	Risk arising from failure of IT systems, applications, platforms or infrastructure, which could result in financial loss, disruptions to the technical infrastructure and operations, or reputational harm. Cybersecurity risk is the probability of exposure or loss resulting from a cyber attack or data breach. *This risk could impact the Bank's profitability, disrupt the Bank's business and have reputation impacts.*	The risk of unexpected adverse developments in the Bank's performance stemming from fundamental strategic and business decisions and their execution. *The risk may present impacts to the Bank's profitability, capital and reputation.*	The risk of loss arising from negative perception of the Banks's image by conduct or business practice which adversely impact profitability, operations or shareholder value. *The Bank's reputation, liquidity, capital and profitability may be impacted by this risk.*
• Enhance monitoring of key risk indicators to better track risk exposures and provide early warning signals • Ongoing review and validation of operational risk tools, i.e. Risk & Control Self-Assessment ("RCSA"), Key Risk Indicators ("KRI") and Incident Management & Data Collection ("IMDC") • Ongoing management of bank-wide operational risks and monitoring of risk ratings • Ongoing management of business continuity strategy and plan • Ongoing management and monitoring of outsourcing arrangements and mitigation strategy • Conduct periodic stress testing and scenario analysis	• Ongoing Shariah review • Continuous monitoring & reporting of Shariah non-compliances • Enhance monitoring and tracking of shariah non-compliance risk exposures via risk tools, i.e. Key Risk Indicators, Risk Control Self-Assessment and Incident Management and Data Collection. • Conduct periodic stress testing and scenario analysis	• Establish and operationalise Technology Risk Management Framework ("TRMF") and Cyber Resilience Framework ("CRF") • Develop and execute IT strategies in alignment with business requirements and adherence to BNM's Risk Management in Technology ("RMiT") policy • Monitor technology and cyber security risks and strategise key initiatives and capabilities that improves the overall technology and cyber posture • Improve cyber resilience maturity level and ensure sustainability of cyber security controls	• Ongoing review, enhancement and monitoring of the business strategies, risk appetite and capital planning process • Conduct periodic stress testing and scenario analysis	• Ongoing monitoring of Bank's risk rating • Perform competitive analysis on industry and market benchmark • Conduct periodic stress testing and scenario analysis • Build and protect goodwill
• Ethics & Integrity • Economic Performance • Procurement Practices • Training & Education • Customer Experience • Financial Inclusion • Digital Banking	• Ethics & Integrity • Economic Performance • Customer Experience • Financial Inclusion	• Ethics & Integrity • Economic Performance • Financial Inclusion • Customer Experience • Digital Banking	• Ethics & Integrity • Economic Performance • Customer Experience • Financial Inclusion • Digital Banking	• Ethics & Integrity • Economic Performance • Customer Experience • Financial Inclusion • Community Development • Employment • Training & Education • Diversity & Equal Opportunity • Procurement Practices • Digital Banking

OUR VALUE CREATION MODEL

Through the use of our robust capitals, prudent strategy and resource allocation, the management of risk and strong corporate

OUR CAPITAL INPUTS

Financial Capital

Financial capital is defined as the pool of funds available to the Bank.

- Shareholders' equity: RM2.65 billion
- Deposits from customers: RM21.50 billion

Intellectual Capital

This capital describes the Bank's brand and reputation management, as well as investments in technological platforms

Includes Risk Management & Compliance Culture and Framework

Manufactured Capital

Manufactured capital includes the Bank's infrastructure, i.e. physical branches, data centres and equipment and digital technology that facilitates the Bank's services to customers.

- 67 branches and Ar-Rahnu outlets
- 22 3-in-1 terminals
- 136 ATMs
- 71 2-in-1 terminals
- i-Muamalat Mobile Apps
- Retail and Corporate Internet Banking
- QR Payment for Merchants
- Muamalat Application Platform ("MAP")
- Ar-Rahnu Online Auction

Social & Relationship Capital

This capital describes the relationships built between communities, stakeholders and other relevant stakeholder groups.

- More than 659,000 customers (FY2019: 640,000 customers)
- Embracing value-based financing to meet VBI as well as EES practices

Human Capital

This capital covers the skills and experience of all the Bank's employees which enable the Bank to deliver its strategy, products and services to create value for stakeholders.

- Number of employees: 2,304 (FY2019: 1,904)

Natural Capital

This capital covers how we consume and manage natural resources, primarily energy and paper. It also includes financing of activities that manage environmental impact well

VALUE-BASED PRINCIPLES

1 Resetting Target Markets

2 Disciplined Balance Sheet Management

3 Digital Transformation

4 Data Monetisation

5 Infrastructure

6 Continuous Process Improvement & Shariah Innovation

7 Talent Management

THE VALUE CREATION PROCESS IS DRIVEN BY EES PRACTICES AND

CARE

RESPECT

INTEGRITY

governance - the Bank's business model continues to deliver value for its stakeholders.

	Financial Capital	Manufactured Capital	Human Capital	Intellectual Capital	Social & Relationship Capital	Natural Capital
Value Creation Process	• Boost deposits for various target markets especially on low cost or sticky deposits • Sustained long term business growth and profitability focusing on new strategic focus areas • Continue to focus on financing growth using the key areas targeted approach • Improve asset quality with close monitoring of potential new impaired financing • Drive productivity as well as efficiency through digital transformation and operational excellence	• Continuous improvement in mobile apps and internet banking to increase customer experience while using our banking services • Launched Muamalat Application Platform ("MAP") in October 2020 that allows customers to apply for financing online	• Continued focus on employee engagement programmes • Certification programmes to enhance employees' standards of excellence as well as business mastery to enhance business acumen • Continuous knowledge sharing, engagement, mentoring and talent development • Introduce web and mobile supported e-training & e-learning • Revision of flexible working hours to ensure employee well-being	• Continuous strategic partnership with local Islamic state councils in managing Wakaf Muamalat • Continuous engagement with digital platform players • Continuous marketing on social media to ensure wider outreach	• Financial planning advisory for selective local communities • Regular engagements with suppliers and vendors • Introduced Jariah Fund, a social welfare crowdfunding platform to generate a sustainable impact on the economy	• Completed replacement of LED bulbs for HQ • VBI consideration is included in credit decision making especially for the non-retail segment
FY2020 Outcomes	• RM426.1 million profit paid to depositors • Profit before tax was RM175.0 million • Common Equity Tier I at 15.49% • CASA grew by 31.6% y-o-y • CASA to total deposits ratio was 36.1% • Return on Equity at 6.84% • Lowest gross impairment ratio of 1.07%	• Mobile apps subscriber increased by 32.3% • Penetration rates of digital based platform has seen a rise in the number of active customers: i. Retail Internet banking - FY2020: 56.4% (FY2019: 48.3%) ii. Mobile banking - FY2020: 21.4% (FY2019: 13.8%) • More than 500 accounts that applied through MAP have been approved	• Diversity of workforce – Employee: Male: 1,001 (49.2%); Female: 1,033 (50.8%) • Average training hours per employee: 58.4 hours	• MoU with Wahed Investment for digital investment channels	• RM1.4 billion financing asset through *pembiayaan pengurusan kewangan* • Achieved 91% complaints resolution within 2 working days • Customer satisfaction increased to 84% as compared to 81% in the preceding financial year • RM6.81 billion financing outstanding that positively impacts the economy, society and environment • Jariah Fund collected RM40,415.00 for a total of 11 on-going projects	• Financing for preserving natural environment was RM228 million for FY2020
Trade-Offs	• A clear trade-off for this capital can be seen through our commitment in our long-term investment to ensure the Bank's sustainable growth though this is somehow moderated with our cost optimisation especially for our investments in digitalisation and process improvement.	• Our investment in digital banking platforms as well as physical services are essential to us as we believe building continuous relationships with the customers and making their transactions easier will help us grow and sustain our business thus improving all our capitals in the long term.	• Investment in the form of Financial capital was expended on programmes and trainings for functional, social and leadership development.	• An essential amount of investment has been expended on intellectual capital through our financial and human capital to drive productivity and efficiency.	• The Bank supports the local community through Financial, Human and Manufactured capital. The Bank views this as an essential trade-off as the resources used will lead to wider reach, better networking, improved brand awareness and opportunities to serve a diverse community.	• As part of our effort to promote VBI compliant practices and optimise our resources to ensure marginal impact to the environment, investment in the form of financial capital has been expended to ensure more efficient technologies and environmental awareness in our operations.

ANCHORED BY THE BANK'S GOVERNANCE, RISK & COMPLIANCE

INNOVATIVE

SERVICE ORIENTED

OUR STRATEGIC DIRECTION

FY2020 marks the first year of the Bank's 5-year strategic business plan, RISE24. However, the COVID-19 pandemic brought about unprecedented challenges that somewhat derailed our strategic priorities. As a champion of Value-Based Intermediation ("VBI"), Bank Muamalat's responsibility towards sustaining communities was also brought to the fore during the year. As a result, after the first three (3) months of implementation, the Bank's ongoing RISE24 was re-evaluated and revised.

The 24 strategies under the seven (7) Strategic Focus Areas ("SFAs") have been re-assessed and prioritised to better deal with the market turbulence caused by the pandemic. Strategies that have been prioritised include expansion into better-rated customer segments; increasing contribution of non-funded income; automating internal process; and increasing collaboration and partnership for digitalisation. Meanwhile, a few strategies have been put on hold, including establishment of sales centre and dedicated sales hubs. This is because in the new normal, physical visits to branches are restricted and online transactions are paving the way ahead.

By April 2020, the Bank completed refinements to the strategies set in RISE24 to create a revised plan for FY2020 focused on surviving pandemic conditions, adapting to a new business normal, and staying competitive.

Surviving Pandemic Challenges

- Priority is placed on defending the quality of financing assets, intensifying the recovery plan and optimising liquidity in capital management. Initiatives launched during FY2020 included:

  i. **Revising the Bank's preferred and non-preferred sectors list according to the current market situation** to reduce risk of financing default in badly impacted sectors whilst increasing financing exposure in high potential sectors.

  ii. **Embarking on an aggressive recovery plan** through proactive rescheduling and restructuring of accounts, in addition to close monitoring of customers in COVID-19 affected sectors.

  iii. **Improving funding strategy to mitigate liquidity risk**. This was done by intensifying deposit taking activities by offering competitive rates, attractive campaigns, and the increased use of digital solutions such as DuitNow, internet banking and QR Pay for deposit sourcing.

Adapting to the New Normal

- There was an urgent need to gear up to navigate the new normal of social distancing, new ways of doing business and catalyse the use of technology to overcome physical limitations. Initiatives launched during FY2020 included:

  i. **Innovating new ways of doing business** by increasing digital solution offerings; intensifying promotion and sales activities through social media and tele-sales; encouraging online interaction with customers; and conducting transactions by appointment for Ar-Rahnu business.

  ii. **Introducing work from home ("WFH") measures** to reduce risk of infection among our staff. To this end, employees were divided into different teams to ensure business continuity, while ensuring recommended safe social distancing limits were maintained at the workplace.

  iii. **Introducing web and mobile supported e-Training and e-Learning** which are accessible to our staff everywhere and anytime. This ensures staff are continuously kept informed and updated with latest industry knowledge and practices.

Staying Competitive

- Launching an offensive action plan to secure a competitive advantage. This encompasses cost advantage, differentiation advantage and resource advantage. Initiatives launched during FY2020 included:

  i. **Introducing engaging digital-based platforms** that benefit customers. These include:

     a) Muamalat Application Platform ("MAP"), an online financing application that expedites banking transactions and enhances customer experience by eliminating multiple visits to branch.

     b) Ar-Rahnu Online Auction, a platform for public bidders to bid for unredeemed gold items.

     c) e-Jamin, a digital bail payment solution that provides bailors the convenience of expedient and efficient payment to ensure the quick release of those in remand.

     d) AWARIS Online Will Writing Platform, a comprehensive digital planning solution that keeps financial, wealth and legacy records on one platform and practices.

ii. **Growing SME business aggressively** by offering support to SMEs that are highly affected by the pandemic. This was done on two (2) fronts. First, by responsibly chanelling financing available under the government's stimulus packages. This was followed by enhancing the structure and process flow for the Bank's SME financing to ensure fast approval and disbursement of funds.

iii. **Catalysing a cost conscious culture by deploying a** Cost Saving Initiative ("CSI") Task Force. This task force is led by the CEO's Office with the CEO as Project Sponsor and members seconded from different departments including Finance, Business Process Management, Procurement, Security & Administration Services, and Human Capital. Whilst the Bank focuses and deploys efforts to sustain the business, the CSI Task Force will look into ways to manage cost wisely by:

a. Planning and identifying initiatives and key areas emerging from the implementation of CSI.

b. Executing and monitoring the implementation of the work plan and the development of strategies and tasks identified in the work plan.

c. Monitoring and tracking the initiatives raised and discussed until they are completed.

SUMMARY OF BANK MUAMALAT'S RISE24 STRATEGIC BUSINESS PLAN 2020-2024

Risk and Compliance Culture

OVERARCHED BY VALUE-BASED PRINCIPLES

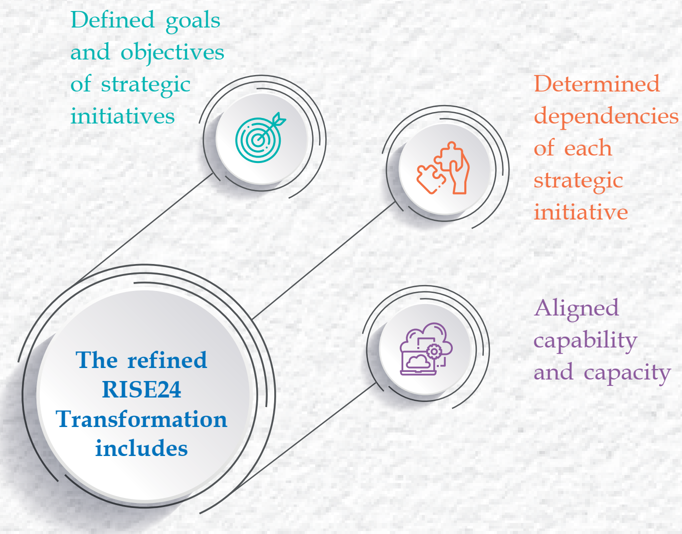
SFA 1	Resetting Target Markets	• Determine new business areas and expansion of coverage to wider customer segment and better rated customer segment
SFA 2	Disciplined Balance Sheet Management	• Optimise balance sheet expansion whilst maximising returns • Intensive recovery plan to improve asset quality
SFA 3	Digital Transformation	• Journey towards establishing a a digital bank within a bank
SFA 4	Data Monetisation	• Optimise data analytics for income generation and cost efficiency
SFA 5	Infrastructure	• Enhance infrastructure to ensure efficient service delivery and deliverables
SFA 6	Continuous Process Improvement & Shariah Innovation	• Improvement of processes and products for more competitive offerings
SFA 7	Talent Management	• Excellent talent management to support business growth

SFA - Strategic Focus Area

Following the revision of RISE24 due to COVID-19, efforts have been subsequently made to enhance its implementation and refine the strategic initiatives towards transformational results.

OUR STRATEGIC DIRECTION

The FY2021 RISE24 Transformation Goals



The Bank's response to the refined RISE24 includes a new governance structure which enables more efficient facilitation of information and decision-making within individual business units, and is governed through the Transformation Steering Committee ("TSC") and Transformation Management Office ("TMO"). By integrating efforts and initiatives towards the anticipated aspiration, the Bank intends to break the 'silo' mindset and elevate a sense of shared purpose.

Each strategy is made highly implementable with defined goals and objectives. Every strategic initiative now has a determined dependency and is aligned to capability and capacity. TMO provides strong support, governance and constant communication towards the successful implementation of each.

The refined RISE24 Transformation is driven by the following 5 strategic priorities which have been aligned to the 7 SFAs, where possible:

- i Accelerate Business Growth (SFA1, SFA2, SFA5)
- ii Technology Transformation (SFA3, SFA4)
- iii Institutionalise Risk & Compliance
- iv Drive Efficiency (SFA2, SFA6)
- v Develop Leaders/People (SFA7)

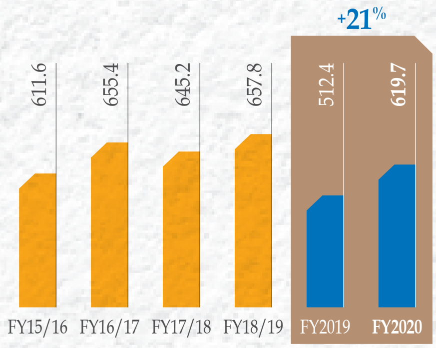
These 5 strategic priorities will be cascaded down for development of the Annual Business Plan FY2021 which will relay the objectives for all business and support units in mapping their business plans for 2021. This ensures that the efforts and initiatives by all units for the year are geared towards the same goals.

CONSUMER BANKING

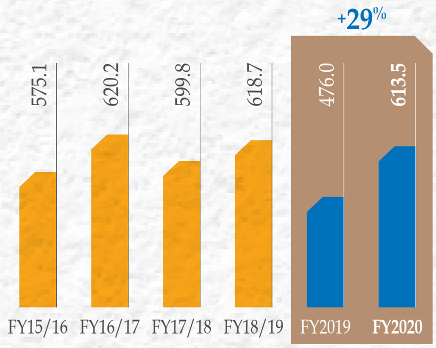
Challenges:

In 2020, global and domestic economies softened as restrictions in economic sectors put the brakes on businesses throughout the year. The imposed Movement Control Order ("MCO") disrupted business operations from March to December 2020. The banking sector was further impacted by Overnight Policy Rate ("OPR") cuts and a blanket moratorium on financing payments implemented by Bank Negara Malaysia ("BNM") from March to September 2020 to alleviate the financial burden of those affected by the COVID-19 pandemic. On 7 July 2020, the OPR dropped 25 basis points to 1.75% the lowest level since it was implemented in 2004 and this was maintained through the end of December 2020, resulting in an industry-wide reduction in financing income for FY2020.

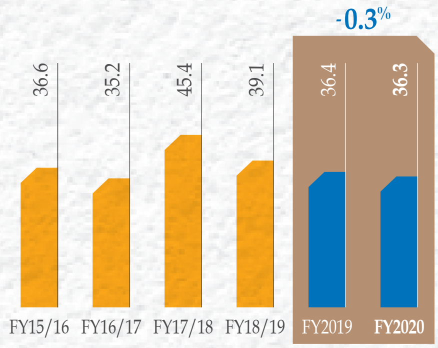
Revenue (RM Million)



Financing Income (RM Million)



Fee Based Income (RM Million)



Note:
1. *FY15/16 refers to financial year from April 2015 to March 2016*
2. *FY16/17 refers to financial year from April 2016 to March 2017*
3. *FY17/18 refers to financial year from April 2017 to March 2018*
4. *FY18/19 refers to financial year from April 2018 to March 2019*
5. *FY2019 refers to financial period from April 2019 to December 2019*
6. *FY2020 refers to financial year from January 2020 to December 2020*

CONSUMER BANKING

1.14%

Consumer Banking's impaired financing ratio for FY2020 (FY2019: 1.60%)

Performance Review

Despite the business disruptions faced, Consumer Banking closed the financial year with revenue of RM619.7 million, a 21% increase from RM512.4 million in FY2019, mainly driven by robust financing income growth of 29% to RM613.5 million. This accounted for 69.8% of the Bank's total financing income during FY2020. The segment remained the key player contributing 53% of total Bank revenue for FY2020.

Fee and commission income decreased by 0.3% or RM0.1 million mainly due to shorter banking hours and closure of certain branches during the MCO. Making steadfast progress on its asset quality journey by focusing on higher-rated customer segments and improving the payment monitoring process, Consumer Banking's impaired financing ratio reduced from 1.60% to 1.14% in FY2020.

In line with the Bank's VBI commitment, the Division also provided much needed financial assistance to customers, which included reassessing customers' debt classification and repayment structures, in addition to relief initiatives that cushioned their financial burdens. These were provided over and above BNM's introduced measures such as the automatic financing moratorium for businesses and individuals to ease cash flow strains during the crisis.

MOVING FORWARD

After a year of uncertainty, and in response to the pandemic, the Bank aims to accelerate business growth and deliver seamless customer experiences by leveraging on a digital platform. The Bank also targets to enhance the use of digital self-service channels to enable customer engagement at a lesser cost than via branch and phone-based approaches. The Bank will introduce digital products and services for all financing, deposits and wealth products to heighten its competitive edge. For faster and wider coverage, a digital app and service driven approach will lead the way forward.

Greater emphasis on customer centricity will also require the Bank to match products with customer demographics, build strong business relationships, and offer excellent personalised service and consultancy. In meeting customers' needs and expectations, and identifying customers of good credit, we intend to provide tailor-made products and services by harnessing big data analytics capabilities. This customer-oriented approach will help the Bank to introduce flexible and modular product packages whereby customers can manage and optimise their accounts or financing services at their convenience.

Through VBI, we commit to deliver more products and services to generate a positive and sustainable impact to the economy, community and environment. The Bank also aims to deliver long-term value for our stakeholders through balance sheet strengths. This entails a strong source of capital, funding and liquidity position with a diversified business model.

Currently, we are at the phase whereby banking is used as a platform for traditional products such as financing, current and savings accounts, credit cards, retail investments and money market accounts. Hence, in the next five (5) years, we target to make banking cashless, ubiquitous, and a part of consumers' day-to-day lifestyles. In the short-term, this entails leveraging on customer-centric IT strategy and Application Programming Interfaces ("APIs"), analytics, cloud and micro service enablers. In the long term, we will ensure that banking evolves into plug-and-play services with the adoption of API and the move to open banking (i.e. Integrating MAP On-The-Go with external business partners).

All possible opportunities will be assessed from every angle for our journey forward, in our commitment to enhance performance and deliver greater value for the next financial year.

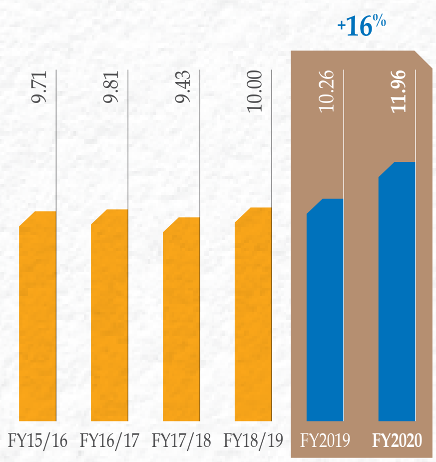
In the next five (5) years, we target to make banking cashless, ubiquitous, and a part of consumers' day-to-day lifestyles. In the short-term, this entails leveraging on customer-centric IT strategy and Application Programming Interfaces ("APIs"), analytics, cloud and micro service enablers. In the long term, we will ensure that banking evolves into plug-and-play services with the adoption of API and the move to open banking.

CONSUMER FINANCING

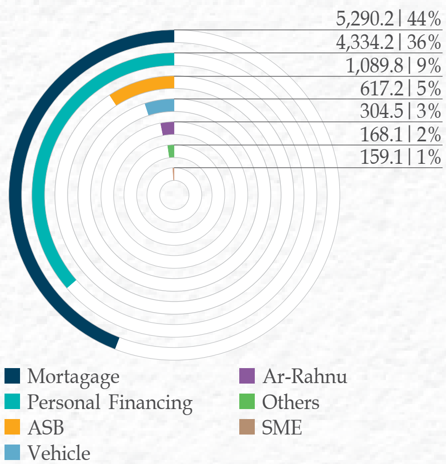
Consumer Financing manages the following financing portfolios:

- Mortgage Financing
- Personal Financing
- Vehicle Financing
- ASB Financing
- Ar-Rahnu Financing
- Small & Medium Enterprises ("SME") Financing

Financing Asset Outstanding (RM Billion)



Financing Outstanding By Product



For FY2020, Consumer Banking continues to be the major contributor to the Bank's asset portfolios with total assets of RM11.96 billion, of which the Mortgage Financing leads at 44% with a substantial portion of Consumer Banking financing assets, followed by Personal Financing with a 36% share. Total financing outstanding grew at a healthy pace of 16.5% or RM1,698.7 million to RM11.96 billion as at December 2020, as Consumer Banking kept pace with changing market conditions and launched enhanced financing products, product features and services catering to new customer expectations.

The Muamalat Application Platform ("MAP"), launched in October 2020, was one such inspired offering during the year that was introduced in tandem with the non-face-to-face requirement for business interactions as COVID-19 preventive measures kicked in. It was introduced to facilitate online applications so that customers could apply for financing without having to visit the branch. Once the MAP project was enhanced with consumer financing products, more financing applications were generated through this platform. Within three (3) months of activation, at end-December 2020, a total of 344 applications amounting to RM53.27 million were recorded through MAP. For 2021, the Bank expects MAP to contribute about 30% or RM1.82 billion of total Consumer Financing applications.

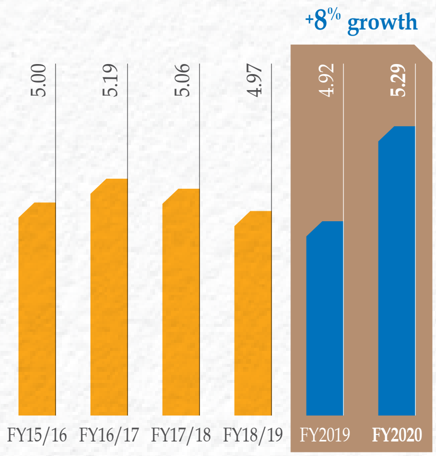
Consumer Banking continues to be the major contributor to the Bank's asset portfolios with total assets of RM11.96 billion, of which the Mortgage Financing leads at 44% with a substantial portion of Consumer Banking financing assets, followed by Personal Financing with a 36% share.

CONSUMER BANKING

Mortgage Financing

FOR FY2020, MORTGAGE FINANCING REPRESENTED 44% OR RM5.3 BILLION OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

Mortgage Financing Outstanding (RM Billion)



BNM's reduction of the OPR during the year indirectly helped customers pay less for their financing with lower profit rates, which translated into more disposable income. Within the property segment, the customer sentiment on financing also improved due to several Government incentives for property such as exemption on stamp duty and 100% margin of financing for first time buyers.

As a whole, Consumer Banking continued to cater to broader-based residential property financing market through the Bank's signature SMART House scheme and SMART Solution package. However, there was added vigilance on boosting asset quality through an intensified focus on customers from the Top 20% and Middle 40% (T20 & M40) income groups through enhanced approaches and features in its SMART Mortgage Flexi (Tawarruq) launched in July 2020. At the same time, Consumer Banking actively pursued overwhelming public response to Skim Rumah Pertamaku ("SRP") and Skim Jaminan Kredit Perumahan ("SJKP") through affordable home financing opportunities for the Below 40% (B40) income segment.

In view of the limitations posed by the MCO, marketing efforts were concentrated on increased collaborations with business partners, solicitors and developers; in addition to increased e-marketing of promotions through channels such as Loan Street, i-property, iMoney, mudah.my, Facebook, Twitter and Instagram. Towards increasing branding awareness in the real estate market, Consumer Banking will further enhance and diversify mortgage financing products to be more competitive as well as offer more attractive campaigns to customers. The SMART Mortgage Solution, SJKP and SRP packages are among the top products in mortgage financing that have been able to penetrate the larger real estate market.

Performance Review

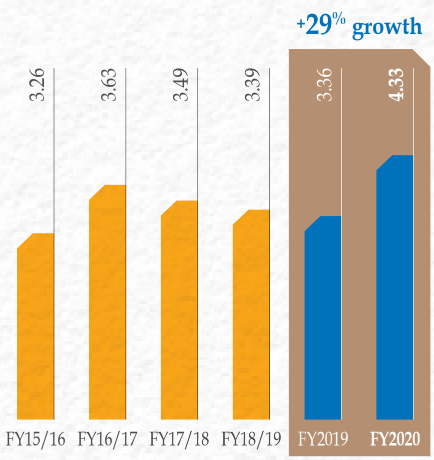
The introduction of new product packages and features, coupled with good response to the SJKP and SRP Home Schemes boosted total new mortgage financing sales of RM1.47 billion in FY2020. As a result, the year-on-year ("y-o-y") total for new approvals grew by more than 100%. Landed properties dominated 79% of the property type followed by flats or apartments at 11%. The Bank has extended financing amounting to RM291.87 million to the affordable home financing segment as at end of 2020.

Personal Financing

FOR FY2020, PERSONAL FINANCING REPRESENTED 36% OR RM4.3 BILLION OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

It was a dynamic year for Personal Financing as total personal financing assets grew by 29% y-o-y. Adopting to new norms, Consumer Banking had leveraged on MAP's borderless banking capabilities to offer Personal Financing-i to targeted staff of Government agencies, statutory bodies, Government-linked corporations ("GLCs"), large corporations and pensioners. On December 2020, Consumer Banking had also launched the Employee Empanelment Programme ("EEP") and registered 115 companies as part of the Bank's strategic initiative to select professional customer segments for increased asset quality. Through EEP, the Bank was able to identify customers according to salary scale and offer customised benefits through product enhancements. These included financing limit of up to RM400,000 (for Personal Financing Cash-i product); standardised Debt Service Ratio ("DSR") and Net Disposable Income ("NDI"); the offering of promotional rates; as well as packaging the best investment platform. Other marketing initiatives embarked on were the organisation of financial talks and collaboration with selected state organisations across the country, as well as social media engagements during the MCO period.

Personal Financing Outstanding (RM Billion)



The ventures were supported by the diversification of the personal financing portfolio in November 2019 to Personal Financing Cash-i Muamalat offering financing amounts up to RM300,000. The product comprises Cash-i Muamalat (for Government and Panel Employer), Cash-i Muamalat Pro (for Professional Programme), Cash-i Muamalat Prestige (for the Mass Affluent) and Collateralised Cash-i Muamalat (based on secured financing). These products are differentiated by eligibililty criteria such as monthly income and professions.

Performance Review

Total Personal Financing outstanding stood at RM4.3 billion, a 29% increase from FY2019. Total new disbursement of Personal Financing-i reached RM1.5 billion driven by the right selection of market segment, aggressive marketing through social media, and the attractive product features offered under Personal Financing Cash-i Muamalat.

In line with BNM's prudent measures, the Bank categorised its personal financing under the following financial planning product segments:

Pembiayaan Pengurusan Kewangan ("PPK")

RM1,301.4 million/
30.0% (34,572 accounts)

Pembiayaan Peribadi Pesara ("3P")

RM1,537.0 million/
35.5% (28,982 accounts)

Pembiayaan Persediaan Persaraan ("3PS")

RM730.9 million/
16.9% (9,575 accounts)

Personal Financing Cash ("Cash-i")

RM745.9 million/
17.2% (5,497 accounts)

Vehicle Financing

FOR FY2020, VEHICLE FINANCING REPRESENTED 5% OR RM617.2 MILLION OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

Prolonged sluggish growth and the resultant economic downturn had significant negative impact on the automotive industry outlook throughout 2020. The enforcement of the MCO saw a drastic drop in vehicle production and sales volumes. Fortunately, the sales trend increased in June 2020 and beyond as demand for new cars increased following the introduction of the Sales Tax exemption on sales of new completely-knocked-down ("CKD") and completely-built-up ("CBU") cars.

Nevertheless, Consumer Banking was cautious of the knock-on impact of business closures and worked to re-strategise its approach to respond with agility to new opportunities and attract customers from higher income brackets. In response to 2020 market trends, the Bank approved special financing packages for Proton X50 and Proton X70 models with revised profit rates and financing margins of up to 100%. The Bank also offered better rates and financing margins of up to 100% for selected Honda models to improve the non-national car segment.

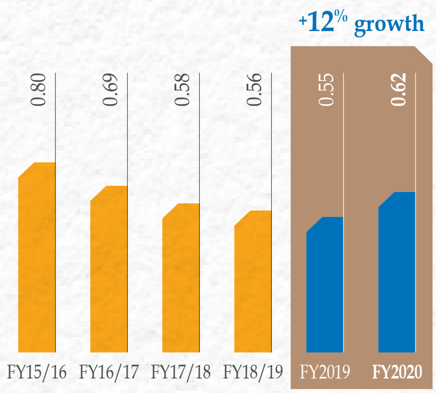
The automotive industry is expected to remain challenging in the year ahead in view of the cautious consumer sentiment and business confidence. The prolonged pandemic and the resulting

CONSUMER BANKING

economic impact will reduce consumer demand for vehicles as non-essential high maintenance spending is deferred. As the market shrinks, competition among auto vehicle financiers will intensify and further exert pressure on pricing, resulting in continued profit margin squeeze.

For 2021, Consumer Banking intends to remain agile to opportunities, while focusing on customers in the T20/M40 segment with salary above RM5,000. New special packages for national and selected popular models of non-national cars, covering both new and reconditioned cars, will be introduced in order to attract this customer profile. Moving forward, the Division shall strive to enhance its penetration rate in targetted growth segments such as new passenger vehicles, light commercial vehicles, and big-bike motorcycles.

Vehicle Financing Outstanding (RM Billion)



Performance Review

Despite the knock-on effects of the pandemic, vehicle financing sales performance in FY2020 was better than expected, recording a 50% y-o-y growth from FY2019. National cars accounted for 87% of the total vehicle financing assets as a result of the Bank's special financing packages for the popular Proton X50 and Proton X70 models.

Ar-Rahnu (Pawn Broking-i)

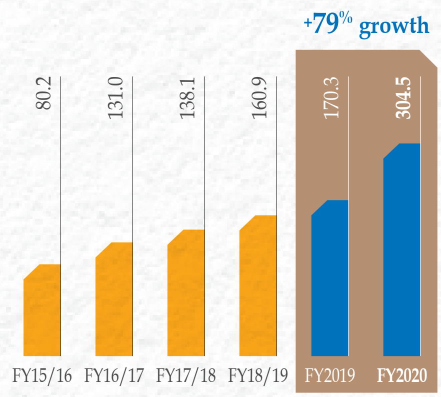
FOR FY2020, AR-RAHNU REPRESENTED 3% OR RM304.5 MILLION OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

Gold price fell sharply on the news of the discovery of the COVID-19 vaccine. This usually indicates an escalating demand for jewelry or physical gold and slowdown in Ar-Rahnu services, however, the Bank's Ar-Rahnu business remained stable throughout the year as a result of lingering caution in consumer sentiments within the current economic outlook. Thus, Ar-Rahnu remained a popular alternative option to resolve short-term cash flow problems, and gained increasing attention from the micro and small and medium enterprises ("SME") industry.

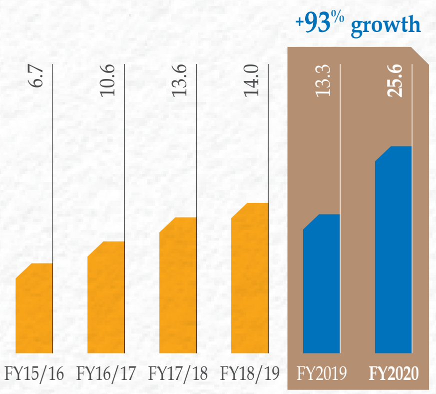
All new Muamalat Ar-Rahnu transactions from February 2020 onwards have been using Tawarruq concept, which is in line with BNM's direction for all Islamic Banks to improve the existing Qard principle to other suitable Shariah's financing principles. Pursuant to that, the Bank took the initiative to change the existing Shariah principle for Ar-Rahnu from Qard to Tawarruq. Since then, Ar-Rahnu income has been categorised as financing, instead of fee-based income.

The Ar-Rahnu's cash reward campaign was intensively marketed through the Bank's branches from August until December 2020, while awareness on Ar-Rahnu was built through social media campaigns, internal marketing, and the Ar-Rahnu Telesales Campaign. To maintain interest and enhance online engagements throughout the MCO period, Ar-Rahnu calculators were placed on the Bank's website; Ar-Rahnu e-Bidding was initiated in December 2020; and gold items were displayed on the Ar-Rahnu Auction website. The Division also continued to promote and encourage Ar-Rahnu customers with the launch of Pawn Muamalat Gold-i ("MG-i") account in order to provide Ar-Rahnu facility to MG-i account customers. The gold products accepted under Pawn Broking-i Ar-Rahnu are jewelries, gold bars, gold coin, and gold accounts. As at December 2020, the Bank's Ar-Rahnu business is operated at all of our 67 branches nationwide.

Ar-Rahnu Marhun Outstanding (RM Million)



Ar-Rahnu Income (RM Million)



Performance Review

Ar-Rahnu's recorded revenue of RM25.6 million supported by financing assets amounting to RM304.5 million, which represented 3% of the Bank's total assets in FY2020. Ar-Rahnu achieved a total disbursement of RM571.2 million with the highest monthly disbursement of RM75.9 million in August 2020.

Amanah Saham Bumiputra ("ASB") Financing

FOR FY2020, ASB FINANCING REPRESENTED 9% OR RM1.1 BILLION OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

The Bank's Amanah Saham Nasional Berhad ("ASNB") business continued to grow in FY2020, despite the reduction in quota from RM350 million to RM100 million by Permodalan Nasional Berhad ("PNB"). In order to get additional ASB quota, the Division needed to meet the sales target of ASNB Variable funds as per ASNB requirement. Marketing efforts were intensified through public roadshows, direct sales, corporate presentations and referrals from branches. In addition, the Division employed bulk sign up by Army personnel as a key strategy to induce take-up of the scheme. As a result, total ASB assets stood at RM1.1 billion, a 4% increase y-o-y from the previous corresponding period.

Based on the downward trend of dividend payout over the past years, the Division foresees a change in customers' demand for investment in ASNB products. ASNB on the other hand is expecting agent banks to offer competitive financing rates to customers in view of the lower dividends declared. The challenge would be to convince the public that investment in ASNB products through financing is still worthwhile. As long as the returns are above deposit rates, the Division remains optimistic that the challenges can be overcome.

The Bank's SME Banking segment, previously under Business Banking Division, is now under the purview of Consumer Banking Division starting May 2020, and is expected to play a significant role in supporting the objectives of the national entrepreneurship agenda towards enabling SMEs in contributing 50% to the GDP by the year 2030. The Bank's SME portfolio was established with RM39.4 million in 2019 and grew to RM159.1 million in FY2020.

SME FINANCING

Small and Medium Enterprises ("SME") Financing

FOR FY2020, SME FINANCING REPRESENTED 1% OR RM159.1 MILLION OF CONSUMER BANKING'S TOTAL FINANCING ASSETS.

The Bank's SME Banking segment, previously under Business Banking Division, is now under the purview of Consumer Banking Division starting May 2020, and is expected to play a significant role in supporting the objectives of the national entrepreneurship agenda towards enabling SMEs in contributing 50% to the GDP by the year 2030. The Bank's SME portfolio was established with RM39.4 million in 2019 and grew to RM159.1 million in FY2020.

Currently, SMEs and Micro Enterprises employ some two-thirds of the country's total workforce and contribute to 40% of the economy. In order to build resilience in this crucial sector during the economic slowdown, the Malaysian Government had issued stimulus packages worth USD64 billion, with bulk of the incentives aimed at helping SMEs in managing their cashflows, retain employees and gain access to financing. SME Financing supported this national agenda with the introduction of Working Capital Guarantee Scheme ("WCGS"), which is guaranteed by Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") for financing up to RM1.0 million, with up to 80% coverage for SME and 90% for Micro Enterprises. The Bank's branches also marketed the special rates offered to SMEs and Micro Enterprises through the BNM's PENJANA Tourism Financing Programme whereby the

CONSUMER BANKING

maximum amount of financing is RM300,000 per SME and RM75,000 per Micro Enterprise, inclusive of financing to related companies that have common shareholders.

SMEs in Malaysia, particularly those in the retail, tourism and distribution trade, are worried over the impact of the economic slowdown to their businesses. It is foreseen that growth for the year as a whole will be supported by household spending, factored in by continued income and employment growth. In facing these challenges, SMEs are rigorously tapping opportunities offered by digital technologies to boost product visibility, market penetration and expand market share through online retail and trading.

Depending on the duration and spread of the COVID-19 outbreak as well as policy responses by authorities amid uncertainties in global economic and financial conditions, a prolonged pandemic situation caused by COVID-19 viruses may impact many SMEs and their ability to service financing payments. SME Financing continues to take steps to remain observant of potential risks and stay relevant by understanding consumer needs and market dynamics.

RM159.1 Million

The Bank's SME portfolio in FY2020 (FY2019: RM39.4 Million)

Strategies Moving Forward For Consumer Financing

- Continued focus on better-rated customers segment (salary above RM5,000, T20/M40 and high income professionals) to improve customer profile.
- Plan demographic-based product offers; creative product packaging and product bundling to meet customer's needs and expectations.
- Enhance customer engagement through a robust digitalisation platform and upgraded digital self-service channels to ensure customers can bank from anywhere with no hassle.
- Harness word-of-mouth recommendations by employees to their friends or family members whenever they find the products offered are far better than the others.
- Introduce flexible and modular product packages whereby customers can manage and optimise their financing services at their convenience.
- Generate positive and sustainable impact to the economy, community and environment with SMART Mortgage Solution, Skim Jaminan Kredit Perumahan ("SJKP"), Skim Rumah Pertamaku ("SRP"), Satu Anggota Satu Rumah ("SASaR"), Auto Grad Scheme, Hybrid Car Financing, Pembiayaan Pengurusan Kewangan ("PPK") and ASB financing.

Bank Muamalat worked to prevent brand attrition by focusing on the distinct and strong proposition of value-based banking and introduced a number of new products and campaigns which helped grow Current and Savings Accounts ("CASA") during the year, with further growth expected in 2021.

DEPOSIT & PAYMENT SERVICES

FOR FY2020, THE BANK'S DEPOSIT & PAYMENT SERVICES RECORDED
RM21.4 BILLION
IN TOTAL DEPOSITS

It was a year of unpredicted deposit performance. With BNM's marked reduction in the Overnight Policy Rate ("OPR"), the Banks' deposit position as well as demand from market were affected as retail customers switched to other investment instruments to maximise their profit and income. Corporate clients trended towards spending their revenue rather than saving their profits to ensure the sustainability of their business during the trying period. On the Government front, budget allocations focused on reviving the economy and assisting Malaysians in facing the pandemic, as well as ensuring the well-being of the people and the sustainability of the businesses and nation's economy, led to an increase in Government expenditure. This affected the growth of our deposits as the Government is a major contributor to the development of deposits at Bank Muamalat. With the implementation of the MCO and establishment of new business norms, the Bank's deposit business was further impacted due to restrictions in customers visiting our branches.

In order to surmount these challenges and compete with competitor banks that could allocate a large budget towards their marketing campaigns, the Bank's Deposit & Payment Services implemented a new strategy to penetrate State Governments as well as its agencies, GLCs, the SME sector and corporate entities via creative product bundling to grow the deposit base.

Bank Muamalat worked to prevent brand attrition by focusing on the distinct and strong proposition of value-based banking and introduced a number of new products and campaigns which helped grow Current and Savings Accounts ("CASA") during the year, with further growth expected in 2021.

These included the launch of 'Save & Win More Kaw Kaw' campaign in August 2020 to encourage customers to save and stand a chance to win the grand prize of RM1 million in cash and over 900 attractive prizes. Another programme called Muamalat Enrich was launched in October 2020 to attract the retiree segment in Malaysia to cultivate the habit of saving for life after retirement, while enjoying the chance to win rewards offered in "Save & Win More Kaw Kaw" campaign. Hence, despite a year of unprecedented challenges and uncertainty, the Bank's deposit

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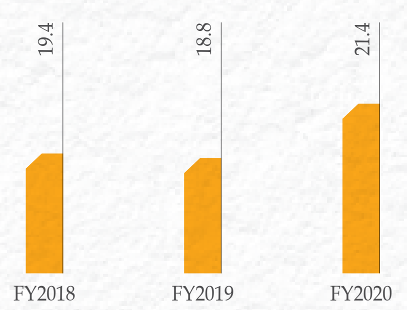
takings remained strong, contributed by new deposits acquired from New to Bank ("NTB") and Existing to Bank ("ETB") customers, while retaining the existing funds.

These deposit strategies will remain intact for the following financial years. The Bank is committed to create outstanding deposit value propositions that meet target market requirements through continuous innovative deposit campaigns, creative marketing productions, new and improvised financial technology ("fintech") development and market penetration while minimising deposit attrition. CASA will be the main focus of deposit growth, and is targeted to reach more than 50% growth in five (5) years' time, as the catalyst for driving the Bank's overall deposit position.

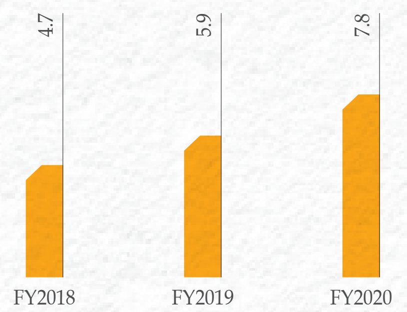
Performance Review

The Bank's CASA recorded growth of 31%, with increase in outstanding balance at RM5.9 billion in FY2019 to RM7.8 billion in FY2020. CASA growth continues to be the main focus for cheaper cost of funds, as well as for managing the Bank's liquidity requirement. Current Account ("CA") grew by 33%, from RM4.4 billion in 2019 to RM5.9 billion in FY2020. The growth resulted from acquisition of new collection accounts, as well as the support from our existing top corporate depositors. Savings Account ("SA") recorded a growth of 28%, from RM1.5 billion in FY2019 to RM1.9 billion in FY2020. The increase in savings is partly due to the announced moratorium for financing payments as well as financial assistance from the Government during the year. These targeted affected groups, giving customers an opportunity to have more financial access, without withdrawing their existing savings.

Overall Deposits (RM Billion)



Total CASA (RM Billion)



The COVID-19 pandemic has also accelerated the Bank's digital transformation to remain relevant among customers, overcome the limitations of the new norms, and contribute to retail deposit growth. During the year, the Bank's digital banking platforms, through Retail Internet Banking ("RIB") and Mobile Banking ("MOB") recorded 372,149 users and 141,315 users respectively. The number of RIB and MOB subscribers from FY2019 to FY2020 increased by 62,508 users and 52,528 users respectively. This translates into 20% and 59% increase, as the pandemic environment is moving consumers to interact more digitally with their banks. The Bank's DuitNow QR platform ("DuitNow") was also optimised during the year to provide seamless and cashless payment solutions to the public. The initiative began with the development of e-Donation transactions via DuitNow for nearly 700 mosques nationwide. Next, e-Wakaf via DuitNow was launched in collaboration with four (4) State Wakaf Management bodies. Meanwhile, e-Zakat through DuitNow, in collaboration with seven (7) State Islamic Religious Councils, was launched in April 2020. Subsequently, e-Qurban through DuitNow was launched in July 2020 to enable electronic transactions for qurban purposes, in collaboration with 20 selected mosques and Non-Governmental Organisations.

Going further, in October 2020, the Bank engaged in a strategic collaboration campaign with EzCab Sdn Bhd ("EzCab") to accept cashless payments through Bank Muamalat's DuitNow QR platform for e-hailing taxi customers. To date, Bank Muamalat has a network of nearly 5,000 QR retailers that have migrated to our DuitNow QR platform.

Strategies Moving Forward For Deposits & Payment Services

- Enhance a seamless customer experience that is cashless, ubiquitous, and a part of consumer's day-to-day lifestyles.
- Fortify the current digitalisation platform to ensure customers can bank from anywhere with no hassle.
- Introduce digital products and services for all deposit products to heighten competitive edge; and leverage on faster and wider coverage.
- Introduce flexible and modular product packages whereby customer can manage and optimise their accounts at their convenience.
- Greater emphasis on customer centricity towards matching product with customer demographics, building strong business relationships, and offering excellent personalised service and consultancy.

RETAIL INVESTMENT

FOR FY2020, RETAIL INVESTMENT CONTRIBUTED

RM24.75 MILLION

FEE-BASED INCOME TO OVERALL BANK'S REVENUE

In November 2020, the Bank, in a strategic approach to reclassify its Wealth Management business, renamed it as Retail Investment. This change is to differentiate itself from major wealth management players in the industry and enable the Bank to re-brand its financial services offerings to the public. The Bank redefines investment to go beyond traditional offerings. In line with our goal to be the Premier Holistic Islamic Wealth Management Lifetime Solutions Provider, the Bank's holistic and all-encompassing approach helps guide investments from the first stage of wealth creation to the end, with the goal of finding everlasting barakah through wealth distribution and purification.

Retail Investment offers a "one stop" complete Wealth Management ecosystem with a comprehensive range of financial and non-financial solutions towards fulfilling its mission to:

- Provide a unique proposition to satisfy customers' personal and financial well being.
- Maximise stakeholders' wealth through multiple channels of distribution and innovative product dynamics, in line with Maqasid Shariah.
- Establish trustworthy, professional and value-based advisory services that adhere to Shariah, Risk & Compliance parameters.
- Improve quality of life and preserve financial security of across generations.
- Embark on value-based initiatives to create financial access to all levels of society. For instance, online gold transactions at minimal entry point of RM10.

1 Invest in Wealth Creation

Focus is on building wealth/establishing an emergency fund/financing for purchase of a 1st home/launching of a retirement plan

2 Invest in Wealth Accumulation

Attention towards career development and starting a family/upgrading career skills/improving earnings prospects/increasing takaful protection for the breadwinner/accelerating retirement savings

3 Invest in Wealth Protection

Centers around the individual's peak earning years as career prospects level off. Emphasis shifts towards retirement planning and preparation

4 Invest in Wealth Distribution

Individual is at the active/passive retirement stage, characterised by a conscious need to distribute the wealth assets to heirs and beneficiaries

5 Invest in Wealth Purification

Individual is at the active retirement stage and looks towards spiritual needs and purification of assets

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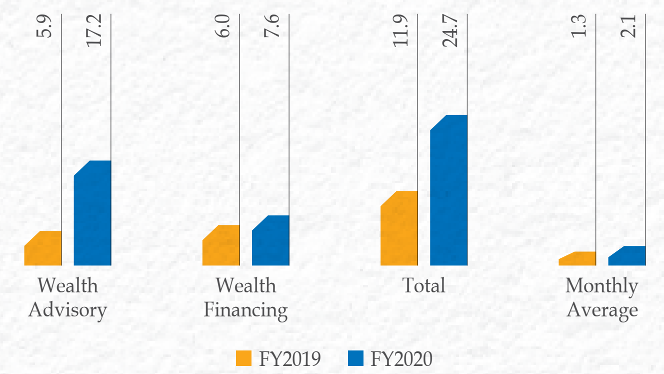
Islamic Financial Planning stages for Islamic Wealth Management products:

Stage	Products
Wealth Creation • Building and establishing funds	• Islamic UNIT TRUST (138 funds from 26 Fund Houses) • PRIVATE RETIREMENT SCHEME (4 Fund Houses) • MUAMALAT MUTUAL-i POWER COMBO • MUAMALAT Gold-i • M-KASIH AMAL
Wealth Accumulation • Improving earning prospects and asset holdings	• Islamic UNIT TRUST (138 funds from 26 Fund Houses) • PRIVATE RETIREMENT SCHEME (4 Fund Houses) • MUAMALAT MUTUAL-i POWER COMBO • MUAMALAT GOLD-i • M-KASIH AMAL
Wealth Protection • Protecting your assets and loved ones from unexpected crisis	• FAMILY TAKAFUL: M-Kasih AMAL Hibah, Critical Illness, Medical Card • GENERAL TAKAFUL: M-Kasih Protect, Motor, Home Content, House Owner
Wealth Distribution • Distribute assets to heirs and beneficiaries for your peace of mind	• ISLAMIC ESTATE PLANNING: (Trust Deed, Islamic Estate Administration Planning, *Wasiat*, Declaration of Jointly Acquired Asset) • *WASIAT*: Basic & Comprehensive
Wealth Purification • Spending a portion of your wealth for charity as well as spiritual aspirations to attain everlasting barakah	• M-JANNAH • BADAL HAJJ • AL QURAN CLASSES • EZ-ZAKAT GOLD-i (Effective January 2021)

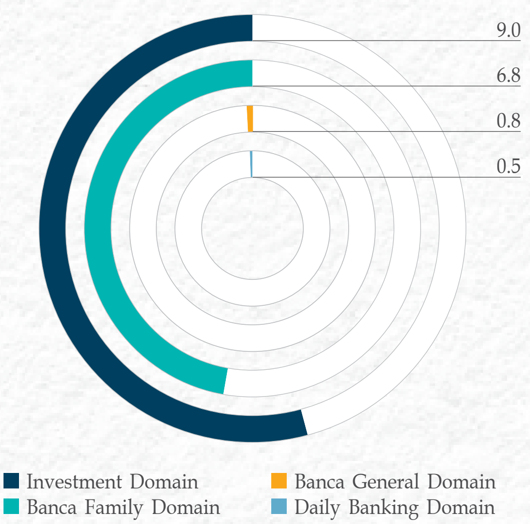
Performance Review

For FY2020, Retail Investment's income showed an impressive 108% increase as compared to the previous year notwithstanding the worldwide economic uncertainty and pandemic. The year's monthly income reflected an average increase of 56% month-on-month ("m-o-m"), when compared to FY2019.

Total Income, Monthly Average and Breakdown by Domain (RM Million)



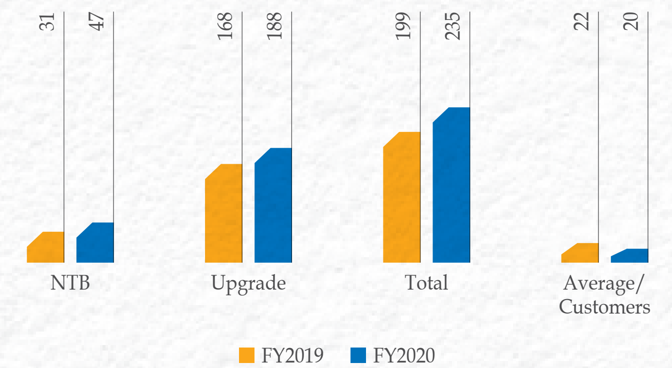
FY2020 Total Income Breakdown for Wealth Advisory by Domain (RM Million)



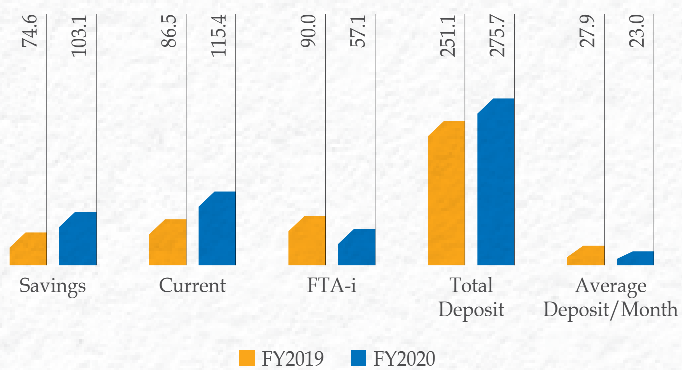
Muamalat Beyond Premier Banking

Total Premier Banking customers grew by 18% y-o-y to 235 newly registered members, representing an average new customer acquisition of 20 Premier Banking members per month. Total deposits grew by 9.7% to RM275 million with an average monthly deposit of RM23 million.

Number of Premier Banking Customers



Premier Banking Deposits by Category (RM Million)



Wealth Creation/Accumulation:

Gold Investment

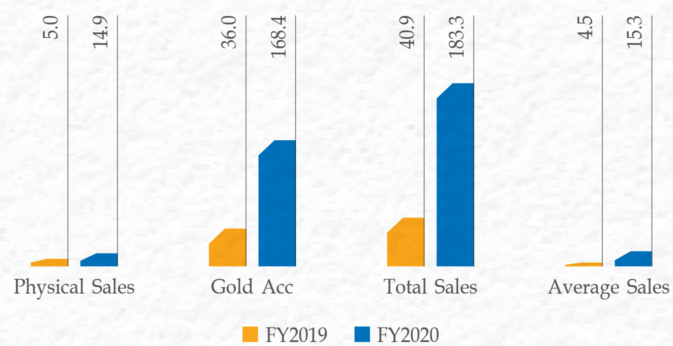
Since its introduction in 2017, Muamalat Gold-i Account ("MG-i") has grown in great strides and was the highlight for Retail Investment in FY2020 as the Bank reinforced the importance of gold investment in times of economic uncertainty. The year recorded the best performance to date, as illustrated in the graphs attached. Total gold sold amounted to RM183.3 million or 697 kilograms. This represents an increase of 348% over the previous year. Average monthly sales also registered impressive figures, with FY2020 recording RM15.2 million as compared to RM4.5 million in FY2019.

In enhancing our Gold Investment services towards greater inclusivity and value to the community, the Bank has designed for this alternative investment to be affordable to all levels of income earners. Retail Investment's gold system allows for 24-hour transactions; purchase of gold at a minimum of RM10; and the convenience of transacting gold online, which enables customers to perform their gold transactions from the safety of their own home or offices. Additionally, pawning and collateralising is allowed for not just physical gold, but also gold account over the counter. This supported customers in need and enabled them to better manage their financial planning during the period when unemployment was at its peak.

In total, Gold-generated income amounted to RM8.1 million for FY2020, an outstanding growth of 356% from RM1.7 million in FY2019. The growth is attributed to the strong promotion by the Bank through several creative campaigns namely Zam Zam Alakazam 2 Campaign, Premier Banking Gold Campaign and Gegar 10 Campaign.

Muamalat Gold-i Account has, since its introduction, become the mainstay gold product favoured by customers compared to physical gold, and has contributed 92% to the Bank's total gold sales.

Total Gold Sales & Monthly Average (RM Million)



Unit Trust

Unit Trust recorded a modest increase in total sales for FY2020 as the pandemic and uncertain economic conditions caused investors to adopt a cautious view and be wary of the equity markets and instead seek refuge in precious metal. Assets Under Management ("AUM") for FY2020 stood at RM61.3 million, a modest increase from FY2019 of RM57.7 million.

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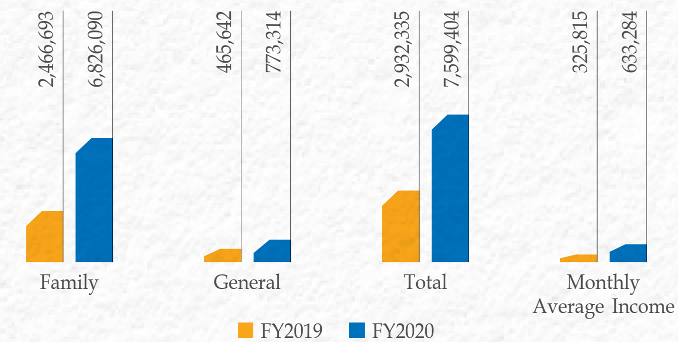
Wealth Protection

In August 2020, the Bank formed a strategic business relationship with Takaful Ikhlas Berhad to provide Family and General Takaful. Overall performance for the year showed a marked improvement amidst a depressed market. Family Takaful was the major contributor with over RM6.8 million, or approximately 90% of total income.

Family Takaful improved more than 176% due to strong Personal Financing and Home Financing applications after the moratorium in the third quarter of FY2020 while income for General Takaful recorded an increase of over 66% y-o-y with the main contribution coming from Fire Houseowner policies which contributed over 90% towards the total income.

Takaful Income (RM Million)



Non-Financial Products

At Bank Muamalat, profitability is not the driving principle. As an Islamic Bank, we aspire to serve the community; and as part of our Value-Based Intermediation ("VBI") commitment, we seek to deliver value-based initiatives that offer our stakeholders benefits beyond profits. To this end, while we work to add value proposition to customers through our financial solutions and services, Retail Investment's non-financial products are designed towards uplifting lives and providing added security and peace of mind.

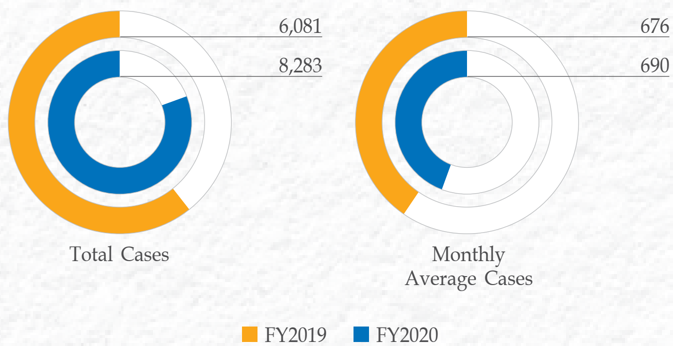
M-Jannah

Our M-Jannah offering affordable funeral management services to the community, distraught families and those who may not have the requisite knowledge and experience pertaining to funeral arrangements. The digital innovation in Islamic Estate Planning by our business partners contributes towards reduced costs and allows for online registration and self-management of the will, making it more attractive to the community at large.

M-Jannah is a popular funeral management service provided by the Bank with the aim of providing peace of mind to bereaved families when a death occurs. Retail Investment and its business partner, Bumijez, embarked on a digital journey to circumvent movement restrictions during the pandemic by providing online renewal services. The new QR code feature is slated to be launched in FY2021 to further provide convenience to our customers.

Total sales performance for FY2020 was recorded at RM1.07 million, registering an improvement of 69% y-o-y. Total cases also registered a growth of 36% against FY2019, registering 8,283 cases during the year under review.

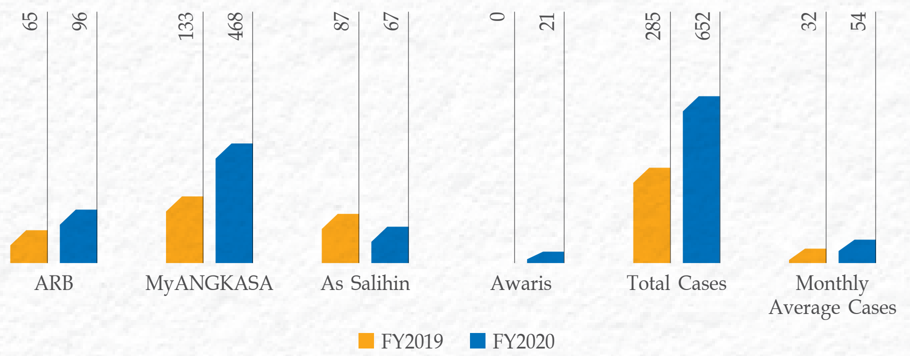
M-Jannah Cases



Islamic Estate Planning

Islamic Estate Planning has been a focus of Retail Investment during the year to highlight the importance of having a *wasiat*, and we onboarded an additional business partner to provide more choices to our customers. MyAngkasa and Awaris allow for digital registration with no additional costs for *wasiat* updates. This is in line with our outlook towards digitalisation and providing affordable solutions to our customers. Total cases increased over 121% from the previous year to 631 cases reflecting an average of 53 cases a month as opposed to 32 cases a month in FY2019.

Total *Wasiat* Cases



Strategies Moving Forward For Retail Investment

- Provide an efficient digital-based platform that satisfies customer experience
- Maintain focus and further develop gold as our "hero" product
- Explore collaboration with other gold vendors and suppliers to enhance product offerings and expand the digital platform
- Develop online gold account capabilities to cater to gold account transfer, conversion from account to physical and setting of periodic purchases
- Embark on QR code capabilities for M-Jannah's new registration
- Create new innovative Islamic Wealth products that meet customers' needs while providing great value proposition
- Provide easier and faster access to Islamic Wealth Management products through advancements in internet and digital banking
- Reach out beyond our customer base by providing a borderless digital platform that is predisposed towards the new generation of customers
- Maintain a strong Islamic identity in line with the Bank's values and Maqasid Shariah principles of preserving Religion, Life, Intellect, Lineage, and Property

BUSINESS BANKING

BUSINESS BANKING

Challenges abounded during the MCO-stricken 2020 as cash flow disruptions hit businesses, impacting some of the Bank's corporate and commercial clients in FY2020. The Bank extended payment assistance via the national moratorium and indulgence of time on principal payment to affected customers; and a total of RM155 million worth of scheduled settlements, out of a total RM374 million, were deferred as per customer's request, during the year under review. The change of the Bank's financial reporting year from 31 March to 31 December which happened in FY2019 led to Business Banking entering the competitive fray with other banks in securing working capital facilities (i.e. Trade, MRF and MCash facilities) utilisation from customers for year-end assets.

The situation called for more agile and aggressive marketing in order to meet set targets. Business Banking rose to the occasion with daily tracking of the facilities and competitive pricing to secure utilisation from customers while relying on our signature consultative approach to understand our clientele's specific needs and tailor our products competitively to suit their business requirements. As a result, the Division achieved total financial growth of 7.8% y-o-y, securing RM449 million for FY2020. By end-December 2020, Business Banking was managing in excess of RM6.1 billion in assets, with over 97% coming from the Corporate segment, and 3% from the Commercial segment.

Both segments, in line with the Bank's requirements and in view of the challenging business environment, placed emphasis on good quality assets with good payment capability in order to maintain Non-Performing Assets while growing the Division's profit. New account acquisition plans were executed towards preferred-rated customers and preferred sectors. This was complemented by target marketing on low utilisation rate customers to increase revenue and boost assets. In preserving existing asset quality from further deterioration, we worked closely with the Bank's Early Care and Remedial Team to curb further deterioration on asset quality and tailored-payment assistance to customers to prevent defaults.

The Bank also prioritised a Triple Bottom Line ("TBL") approach consistent with its focus on values-based banking. Aligned to this, the Division's exposure on TBL activities in FY2020 increased by 6.08% to RM3,278.2 million, from RM3,088.3 million in FY2019. On this front, the financing extended to Preserving Natural Environment segment accounted for the highest growth; increased by 32.15% to RM227.7 million in FY2020 from RM172.3 million FY2019.

Working towards greater efficiency in improving customer experience, we pooled our manpower resources to expedite the documentation process during the year, swiftly ensuring approvals on RM1,152 million new corporate financing and RM288 million commercial financing.

Through agility, responsiveness and greater efficiency, Business Banking achieved a commendable RM264.9 million in financing income, RM16.6 million in fee income, and total financing of RM1,137.0 million for Trade Finance for the year. All new deals for fee income met the set Business Customer Ratings ("BCR") of 1 to 6; and were under preferred sectors. BCR is a credit risk grading given to existing or potential customer applying for business financing. The Division also enhanced product holding per customer from 1:1 to 1:2.7 reflecting improved yield enhancement for fee income products.

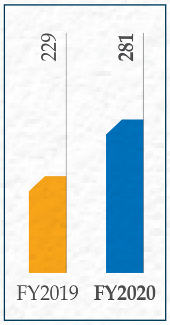
Performance Review

As a whole for the year, the Division registered revenue of RM281 million and pre-tax profit of RM83 million. The Division's assets grew 7.83% in FY2020 mainly driven by an increase in MCash which rose to RM541.53 million from RM297.25 million as well as a 11.60% growth in our Muamalat Revolving Financing ("MRF") to reach RM1.79 billion.

Revenue & Profitability

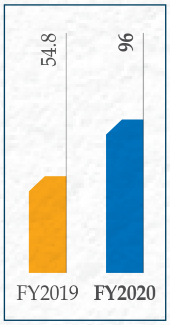
Revenue (RM Million)

FY16/17 281.7
FY17/18 296.3
FY18/19 306



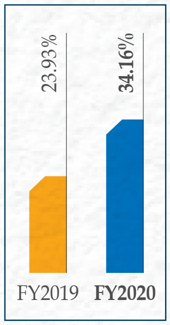
Operating Profit (RM Million)

FY16/17 63.4
FY17/18 81.1
FY18/19 84.7



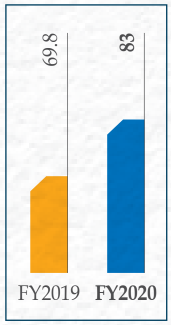
Operating Profit Margin (%)

FY16/17 22.51%
FY17/18 27.37%
FY18/19 27.68%



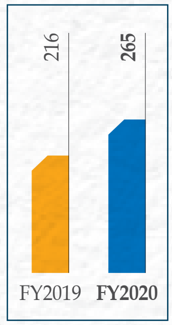
PBT (RM Million)

FY16/17 47
FY17/18 97.4
FY18/19 102.4



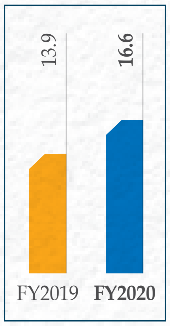
Financing Income (RM Million)

FY16/17 274
FY17/18 279
FY18/19 285



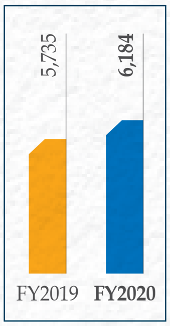
Fee Income (RM Million)

FY16/17 8
FY17/18 16.8
FY18/19 20.9



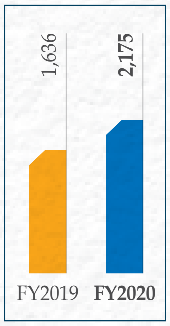
Financing Asset (RM Million)

FY16/17 5,229
FY17/18 5,303
FY18/19 5,441



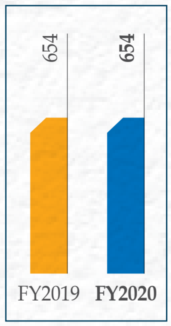
Deposit (CA) (RM Million)

FY16/17 887
FY17/18 1,254
FY18/19 1,414



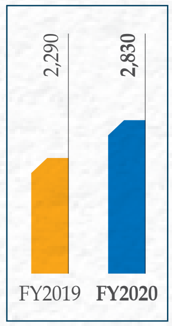
Deposit (FTA/GIA) (RM Million)

FY16/17 1,637
FY17/18 1,169
FY18/19 896



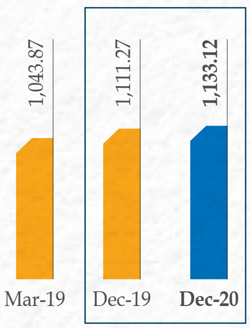
Deposits (Total) (RM Million)

FY16/17 2,524
FY17/18 2,423
FY18/19 2,310



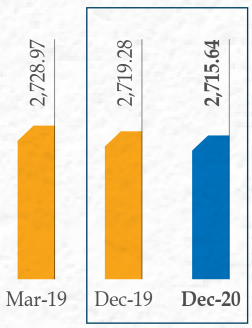
Assets by Product

Trade (RM Million)



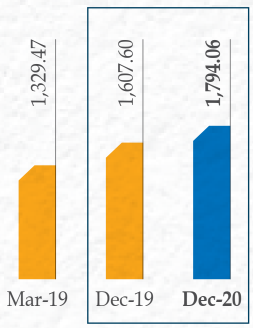
1.97% Growth

Term (RM Million)



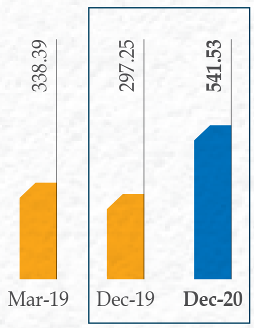
-0.13% Growth

MRF (RM Million)



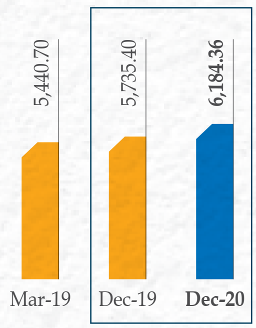
11.60% Growth

Mcash (RM Million)



82.18% Growth

Total (RM Million)

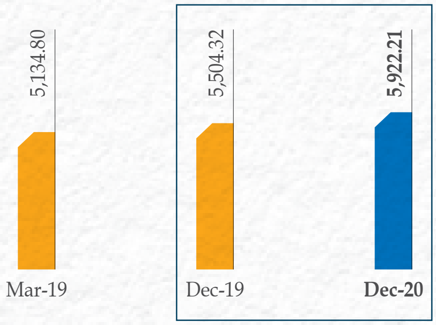


7.83% Growth

BUSINESS BANKING

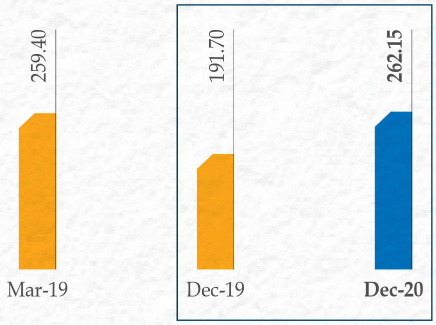
Assets by Segment

Corporate (RM Million)



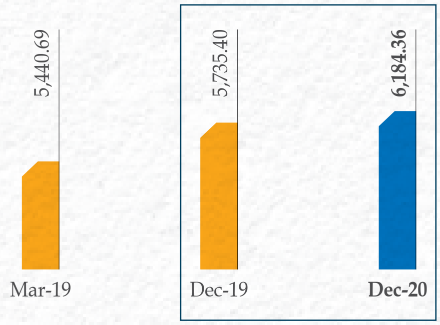
7.59% Growth

Commercial (RM Million)



36.75% Growth

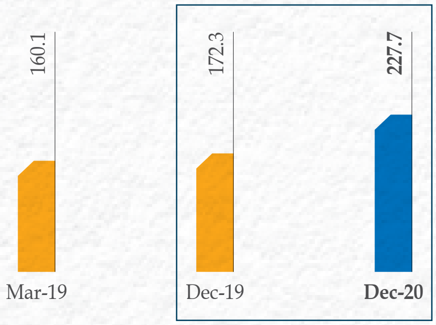
Total (RM Million)



7.82% Growth

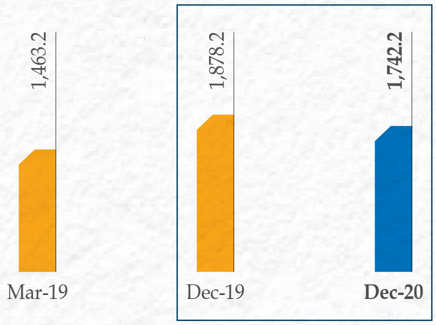
Triple Bottom Line ("TBL") Sector

Preserving Natural Environment (RM Million)



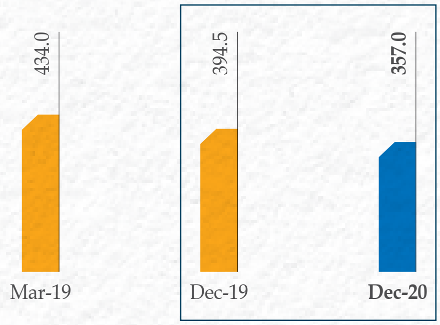
32.15% Growth

Platform for Raising Community Standard of Living (RM Million)



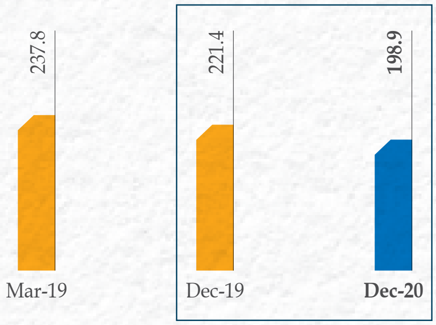
-7.24% Growth

Promoting Healthy Lifestyle (RM Million)



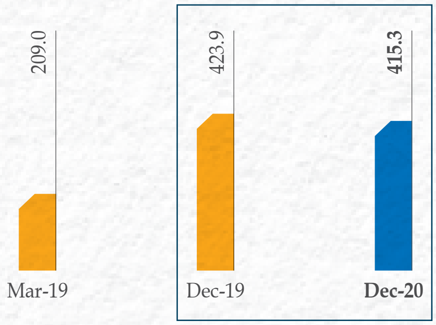
-9.51% Growth

Education (RM Million)



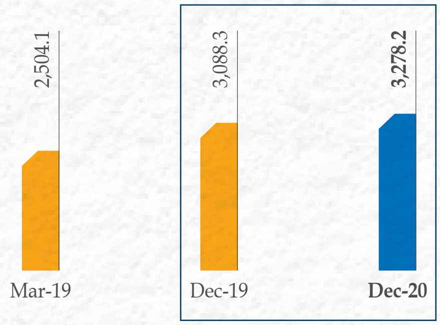
-10.16% Growth

Hospitals and Medical Equipment (RM Million)



-2.04% Growth

Total (RM Million)



6.08% Growth

During the year, we continued to focus on retaining our good customer portfolio while strategically growing targeted customers to ensure we maintain asset quality. The growth is guided by the Bank's preferred sectors as per our risk appetite statements and sectors as endorsed by the Bank.

Corporate Sectors

The Corporate segment expanded 7.59% to RM5.92 billion for FY2020, driven mainly by manufacturing, agriculture and construction sectors. During the year, we continued to focus on retaining our good customer portfolio while strategically growing targeted customers to ensure we maintain asset quality. The growth is guided by the Bank's preferred sectors as per our risk appetite statements and sectors as endorsed by the Bank. We also focused on penetrating new target markets, especially mid-tier corporate customers.

Commercial Sectors

Our Commercial segment registered a 36.75% surge in asset growth from RM191.70 million in FY2019 to RM262.15 in FY2020 as we continued to grow the cooperative portfolio under the financial and insurance/takaful activities sector and wholesale and trading sectors to preserve our asset quality as part of our efforts to mitigate the risk of these accounts turning into non-performing accounts, which is crucial in the current challenging banking environment. We believe in offering tailored products for customers based on their segments, and practice filtration of customers based on our risk appetite statements. We enhanced customers' asset quality by partly securing the financing with guaranteed schemes.

Anticipated Risks & Prospects

Business Banking Division faced a high scheduled payment of RM283 million in year 2021 that may cause potential risk to our growth, but this will be mitigated by quick response to customers' complaints and requirements to cement relationships and build loyalty. Through improved swift and customised services, we will work to minimise the risk of competition from other financial institutions, in terms of rates, product offerings and services.

We are mindful that the possible prolonged adverse economic conditions might result in deferred CAPEX and OPEX requirements of target customers and this could lead to monthly unscheduled settlements. In such uncertain conditions, we have to respond swiftly, as lengthy on-boarding processes could result in customers favouring other financial institutions.

To mitigate this risk, measures include constant engagement with customers to ensure reutilisation by offering special pricing to good-rated customers; packaging holistic product solutions that fulfil customised requirements encompassing financing, deposits and possibly takaful products; and finally to reengineer the on-boarding process to ensure faster turnaround time.

BUSINESS BANKING

Strategies Moving Forward For Business Banking

The Division's focus for the short term will be to balance growth between corporate and commercial segments and defend assets by managing the monthly attrition rate, while acquiring new customers in high potential segments especially potential beneficiaries and the supply chains benefiting from National Budget 2021. Towards preserving asset quality, the Division will adopt a 'Do It Right for the First Time' mindset by pre-identifying the Risk Acceptance parameters of targeted customers during origination. At the same time, the Commercial segment aims to improve impaired ratios for Commercial Banking by focusing on structured programme financing and secured financing portfolio, while expanding Programme Financing backed by Government guarantee schemes.

Towards the longer term, we are committed towards:

1. Product innovations that will drive fund-based income, fee income and CASA, such as:
    - Holistic product offerings covering both financing and deposits catering to the requirements of target customers by focusing on capex, contract and/or project financing packages.
    - Financing Programmes that cater to the broader ecosystem of targeted segments, such as their vendors, suppliers and sub-contractors.
    - Diversification of income streams through collaboration with Takaful operators for fee-based income.
    - Customised new products to suit business requirements.
2. Increased operational efficiencies via the following initiatives:
    - Expansion of infrastructure and channel capabilities.
    - Expanding business presence in high GDP contributing States nationwide.
    - Optimising the Bank's branch network to promote Business Banking products.
    - Improving turnaround time of business processes by continuing to reengineer the process of origination, assessment and approval.
    - Leveraging on Data Management and Analytics to increase every customer's product holding via cross selling activities and product bundling.
3. Developing leaders and expanding our talent pool for business sustainability, through:
    - Hiring the best from the industry.
    - Building a competent and capable internal team to accelerate business growth.

TREASURY AND CAPITAL MARKETS

TREASURY AND CAPITAL MARKETS

Challenges

As the spread of coronavirus adversely impacted the world, markets grappled with the changed health, economic and business landscapes. In Malaysia, the Government-imposed lockdown in March 2020 stalled the country's economic activities and led to business operation diversifications. The Bank's Treasury and Capital Markets ("TCM") operations were forced to split into teams working from three (3) separate locations namely Bank Muamalat's Head Office, the Bank's Disaster Recovery Centre and working from home to ensure business continuity and non-disruption of operations.

The TCM Division diligently performed its role in ensuring sufficient liquidity throughout the period despite the lockdown restrictions and limitations. For the year, TCM's profitability and funding strategies centered around meeting overall regulatory liquidity requirements such as short term Liquidity Coverage Ratio ("LCR") and longer term Net Stable Funding Ratio ("NSFR") while taking into consideration bank counterparties, infrastructure and market outlooks.

On monetary policy, BNM's proactive measures saw robust OPR rate cuts of 125 bps from 3.00% to 1.75% and Statutory Reserve Requirement ("SRR") from 3.00% to 2.00% respectively with Government securities instruments used to meet the SRR minimum ratio. The Ministry of Finance introduced a series of economic stimulus packages during the year to help combat the downward spiral of the economy. Stimulus packages worth RM305 billion and a direct fiscal injection of RM55 billion were announced to provide immediate assistance to lessen the burden of those affected by the pandemic.

Performance Review

Notwithstanding, the TCM Division, through its strategic planning and anticipation of market direction, was able to optimise its high-quality liquid assets (HQLA) and recorded a gross income of RM270 million, inclusive of a capital gain on securities of RM57.5 million.

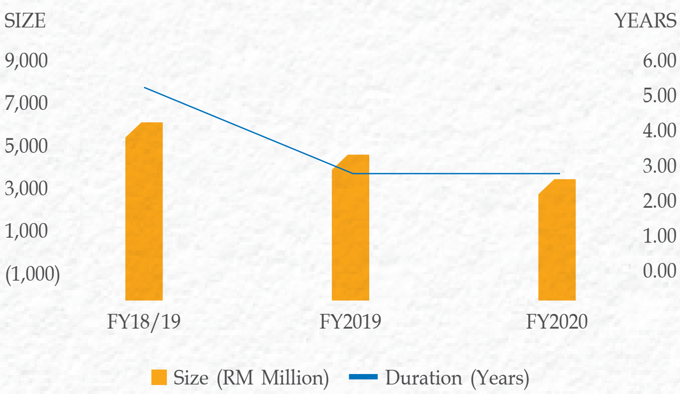
Throughout the year, the Money Market funding desk proactively managed the Bank's cash flow, improving overall funding cost by reclassification of institutional clients from branches to TCM for better customer service experience and to optimise the Bank's liquidity ratio. TCM's total funding reduced by 114 bps from 3.12% to 2.16% with LCR and NSFR positioned at 115.87% and 107.96% at the end of FY2020 respectively. As at end of the year, TCM provided 49.24% of the Bank's total funding of RM21.40 billion.

TREASURY AND CAPITAL MARKETS

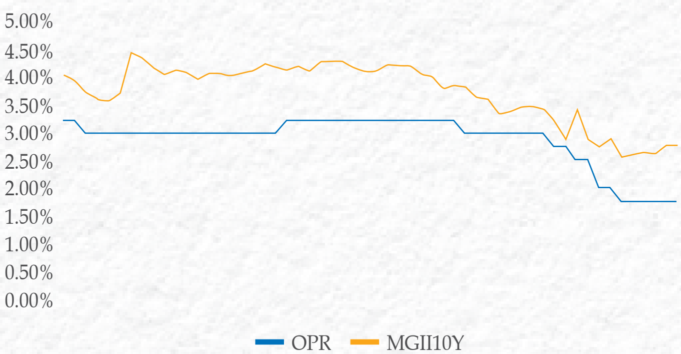
Foreign exchange was the mainstay of TCM's fee income through consistent engagement with clientele despite the pandemic. The bulk of TCM clients are from Government, while links have also been established with the automotive and commodities sector through Bai Al-Sarf and Wa'd contracts, bringing in a total foreign exchange ("FX") volume of RM5.70 billion during the year.

Non-Ringgit depositors onshore and offshore (Labuan branch) helped cushion the Bank's liquidity through active FX Swap markets as an alternative to meet the Bank's overall funding.

Portfolio Size vs. Duration



OPR vs. MGII10Y



Anticipated Risks and Prospects

For financial year 2021, TCM is optimistic that growth prospects are set to improve as fiscal support have stepped up sharply; economies have adapted to social distancing; and the vaccination roll out is gathering momentum. From a negative growth of 5.60% for 2020, Malaysia is expected to record a gross domestic product of 6.50% to 7.50% in 2021 as the economy rebounds from its worst contraction since the Asian Financial crisis in 1997.

Amidst the expected market recovery, the Division aims to accelerate the process of building HQLA while remaining vigilant against risk factors.

Strategies Moving Forward For Treasury And Capital Markets

Going forward, TCM aims to improve its overall process by streamlining regulatory and compliance procedures, improving its foreign exchange infrastructure and eco-system, improving interbank funding credit facility via Sale and Buy Back Agreement ("SBBA") and Collateralised Commodity Murabahah ("CCM"), and expanding its client base with a better run-off for a stable pool of depositors and by tapping foreign exchange business.

The Division anticipates that Government securities supply will grow as fiscal deficit is expected to widen from 5.4% to 6.0% for year 2021. Foreign participation on Government securities will be closely watched by market players as a conduit to support the economy. The result of FTSE Russel index and Malaysia rating will be among the factors that will influence the yield curve going forward.

RM57.5
Million

Capital gain on securities for FY2020

INVESTMENT BANKING

Challenges

Investment Banking ("IB") focuses on Islamic Capital Markets deals as well as managing the Bank's private equity investments via our private equity arm, Muamalat Venture Sdn Bhd ("MVSB").

Capital Markets presented continued challenges during the year, due to the pandemic-led contractions in economies and the limited flow of new deals. However, Bank Muamalat's IB team managed to turn in a commendable performance contributed from the conclusion of two (2) Sukuk deals, namely for an Islamic Financial Institutions and a State Agency Corporation in the agricultural sector.

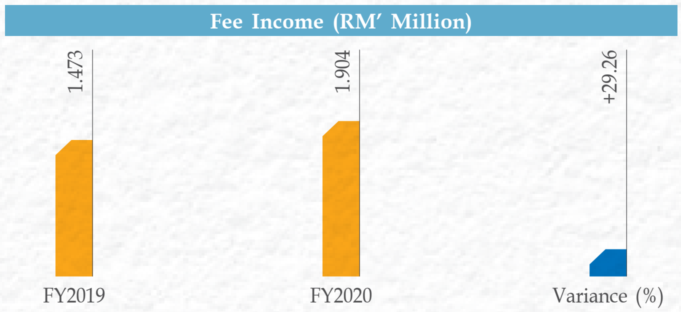
The details of the transactions are as follows:

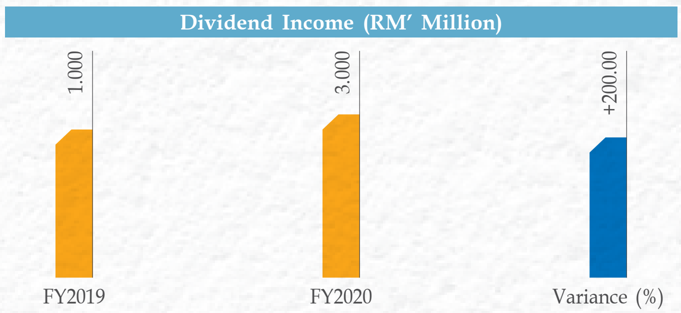
Transaction	Role
Sukuk Wakalah Programme of up to RM10.0 billion by Imtiaz Sukuk II Berhad	Joint Lead Manager
Sukuk Wakalah Programme of up to RM650.0 million by Perbadanan Kemajuan Pertanian Negeri Pahang	Joint Lead Manager

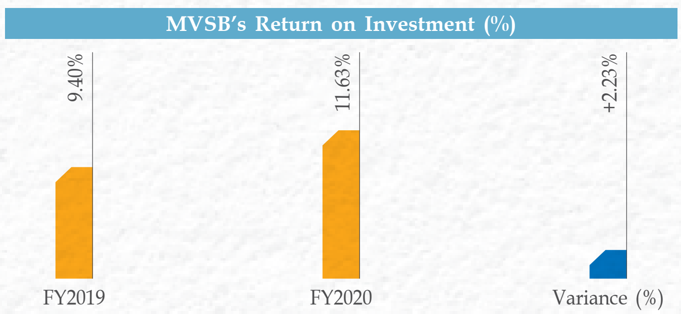
IB registered RM1.9 million in fee income, comprising arranger fees, Wakalah fees, agency fees and management fees derived from Investment Banking activities. The fee income for FY2020 increased by 29.26% as compared to the previous year.

Fortifying financial access in the challenging year, IB continued to prioritise serving the underserved communities as part of the Bank's commitment to Value-Based Intermediation. IB continued its investment partnership with Permodalan Kelantan Berhad via MVSB, in the operation of Ar-Rahnu branches that provide instant and easy cash in rural parts of Kelantan and Sabah. The venture generates sustainable returns to the Bank and allows us to promote fair and transparent products and services to underserved communities.

Performance Review







During the year under review, IB registered RM1.9 million in fee income, comprising arranger fees, Wakalah fees, agency fees and management fees derived from Investment Banking activities. The fee income for FY2020 increased by 29.26% as compared to the previous year.

TREASURY AND CAPITAL MARKETS

RM1.9
Million

Fee income for FY2020 from Investment Banking activities. (Increased by 29.26% as compared to FY2019)

The persistent market instability and uncertainty may also lead to volatility in income. Despite the difficult environment, there are opportunities to secure Sukuk mandates as potential Sukuk issuers explore fund raising exercises in the current low profit rate environment.

Meanwhile, the dividend income which represents annual dividend paid by MVSB tripled to RM3.0 million in FY2020 as compared to RM1.0 million in FY2019. This was driven by higher profit contribution from the Musyarakah investment undertaken by MVSB. As a result of this profit increase, MVSB registered a higher return on investment (ROI) as compared to FY2019.

Strategies Moving Forward For Investment Banking

With the slowing domestic and global economies, there will likely be intense competition due to the scarcity of Capital Market deals. To address these risks, IB intends to focus on its key corporate relationships to establish deal flows. The persistent market instability and uncertainty may also lead to volatility in income. Despite the difficult environment, there are opportunities to secure Sukuk mandates as potential Sukuk issuers explore fund raising exercises in the current low profit rate environment. IB also sees continued opportunities to collaborate with other banks for larger capital market deals, as these banks seek to share balance sheet exposure to minimise risk.

The operating landscape in 2021 is expected to remain challenging as economic recovery is projected to be gradual and uneven amid COVID-19 containment measures. IB's strategy in the face of uncertainties and downside risks is to exercise greater prudence and to remain vigilant. Going forward, continued focus on key corporate relationships with potential issuers and other financial institutions will pave the way for deal flows in Debt Capital Markets.

SUBSIDIARIES

MUAMALAT INVEST SDN BHD ("MISB")

Muamalat Invest Sdn Bhd is the Bank's Islamic Fund Management arm established in 2006. Licenced in 2010, MISB focuses on institutional and high net worth investors for its capital market products and has been providing full Shariah-compliant investment management services which include management of discretionary and non-discretionary mandates for asset classes; covering equity and sukuk; and provision of wholesale and retail fund products for investments in various asset classes, i.e. Islamic money market instruments, equities and sukuk. MISB's business is currently contributed largely by institutional clients in retail and wholesale money market funds, wholesale sukuk and private mandates. MISB has also expanded its business into the retail space.

Having successfully secured the Capital Market Services Licence ("CMSL") for dealing in securities (restricted to unit trust) in 2019, MISB launched its maiden retail unit trust fund, namely Muamalat Invest Islamic Equity Fund ("MIIEF"), in September 2019 to appeal to retail investors with aggressive risk profile and who have longer investment horizon. MIIEF may invest up to 95% of its net asset value in domestic Shariah-compliant equities and up to 30% of its net asset value in domestic Shariah-compliant fixed income instruments. MIIEF aims to achieve capital appreciation over the medium to long term period.

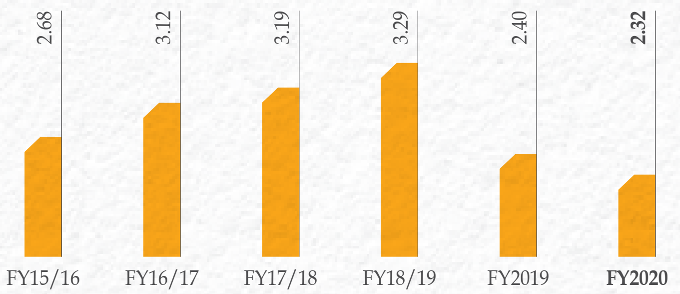
In October 2020, MISB launched its retail money market fund, namely Muamalat Invest i-Institutional Money Market Fund ("MINTMMF"). MINTMMF invests in low risk and liquid Ringgit denominated Islamic deposits and Islamic money market instruments issued by financial institutions.

SUBSIDIARIES

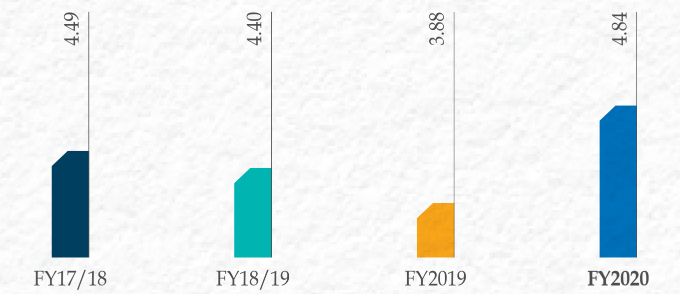
Performance Review

For FY2020, MISB recorded a total revenue of RM4.8 million and profit after tax of RM0.9 million. Shareholders' funds of MISB improved by 6%, contributed by profit after tax derived for the year. MISB's profit for the year was driven principally by higher performance fees earned from both equity and sukuk mandates, as the mandates generated higher-than-benchmark returns for its clients, arising from opportunities capitalised in both the equity and sukuk markets during the year. As at the end of FY2020, MISB recorded RM2.3 billion in Assets Under Management ("AUM").

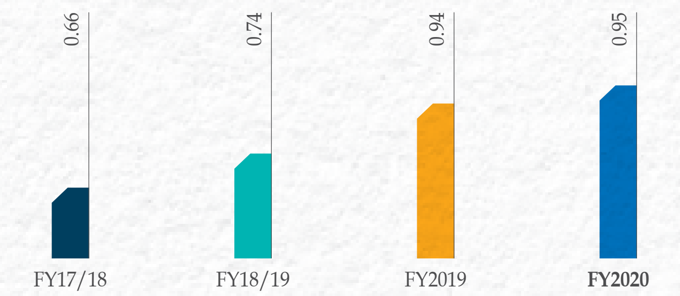
Assets Under Management (RM Billion)



Revenue (RM Million)



Profit Before Tax (RM Million)



Strategies Moving Forward For MISB

MISB is mindful of key determinants of equity market in the year 2021, such as:

COVID-19 & Vaccines

The outlook going forward is largely determined by the risk of further resurgence of COVID-19 infections which could lead to weaker business, employment and income conditions. The progress of vaccination distribution and efficacy of vaccinations are other variables that need to be monitored and responded to with agility. While the discovery of the COVID-19 vaccines provides positivity on recovery prospects, which also catapulted world equity markets; recent spikes and virus mutation could dampen the whole recovery timeline.

General Election

Uncertainties on the political front is rife as Malaysia heads towards the next general election (GE). The Government will remain pressured especially after the nation ends its state of emergency on 1 August 2021. These factors are expected to cause market jitters as the Prime Minister seeks a fresh mandate soonest possible. Based on past GE trends, the domestic equity market tends to react post-election as compared to its historical price actions especially before GE-13; where market reacts pre-election on promises and goodies. Thus, pre-election rally might be subdued as the market awaits the result of the election and stage a potential relief rally or election sell-off afterwards.

MISB is working closely with selected foreign and local fund houses to collaborate in launching unit trust funds that embed VBI principles into its investment strategies encompassing ESG, SRI, SDG, Waqaf, and Green Investment, among others. VBI aims to reorient Islamic finance business models towards realising the objectives of Shariah that generate positive and sustainable impact to the economy, community and environment through practices, processes, offerings and conduct. This is also part of MISB's strategy in venturing into the retail market space.

Muamalat Venture Sdn Bhd ("MVSB")

REVENUE
RM**8.5** Million
132.4% Increase
Year-on-Year ("y-o-y")

ASSETS UNDER MANAGEMENT
RM**71.6** Million

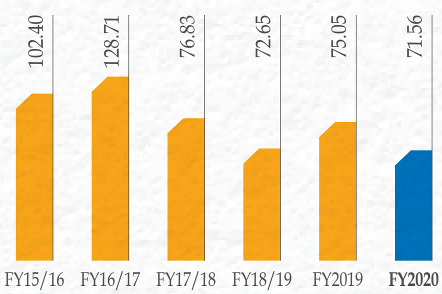
MVSB is an Islamic venture capital management company which invests in high-growth companies, mezzanine and pre-IPO companies.

MVSB is currently focused on a Musyarakah venture with Permodalan Kelantan Berhad (PKB Musyarakah Investment), which accounts for more than 90% of its Assets Under Management ("AUM") of RM71.6 million as at 31 December 2020. The decrease in AUM was due to annual capital buyback by joint venture partner of PKB Musyarakah Investment.

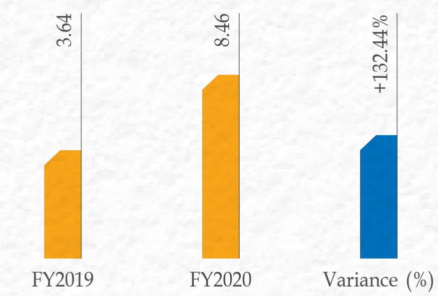
In line with VBI concept, MVSB continues to serve the underserved communities through its investment partnership with PKB in operating Ar-Rahnu branches in Kelantan and Sabah. The venture generates sustainable returns to MVSB and allows us to promote fair and transparent products and services to underserved communities especially during the MCO period.

Performance Review

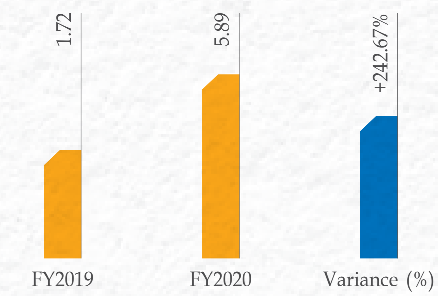
Assets Under Management (RM Million)



Income (RM Million)



Profit Before Tax (RM Million)



In FY2020, MVSB registered profit before tax of RM5.9 million mainly contributed by increase in profit contribution from the Musyarakah investment.

Strategies Moving Forward For MVSB

The slowing domestic and global economies due to COVID-19 pandemic will continue to have a negative impact on the performance of companies across various sectors. This in turn will affect investors' return on investment which will add to the volatility of investment performance. To address these risks, MVSB intends to focus on constant engagement with its investee companies and make strategic preparations to manage possible negative impacts of an economic slowdown, and ride on investment opportunities which can generate stable recurring income while mitigating the inherent risk.

With recovery only expected later in 2021, focus will be placed on exercising greater prudence and remaining vigilant in the face of changing outcomes and downside risks. Efforts will be directed towards enhancing the existing portfolio, while keeping an eye out for viable, potential investments and opportunities to build an Islamic private equity portfolio.

SHAPING A MORE INCLUSIVE FUTURE FOR ALL

Beyond reaching out to underserved segments, Bank Muamalat is committed to empowering communities through Social Finance initiatives such as Wakaf Muamalat, Tabung Mawaddah and the Jariah Fund. These channel zakat and wakaf funds to selected projects in education, health, and investment, as well as charitable activities to Asnaf recipients.

OUR SUSTAINABILITY APPROACH

BANKING ON VALUES AMID THE PANDEMIC:

OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE AND IMPACT.

OUR SUSTAINABILITY APPROACH

As an Islamic financial Institution

Our approach to sustainability is anchored in adherence to Maqasid Al Shariah - the preservation of order, achievement of benefit and prevention of harm or corruption, establishment of equality among people, causing the law to be revered, obeyed and effective as well as enabling the ummah to become powerful, respected and confident. This shapes our mission to ethically deliver the best value to stakeholders, society and the environment.

As part of BNM's VBI Community of Practitioners and a member of the GABV

As a financial institution committed to Bank Negara Malaysia's direction towards Value-Based Intermediation ("VBI") and a member of the Global Alliance for Banking on Values ("GABV"), we want to ensure that banking is a healthy and productive system of society and develop a positive, viable alternative to the current banking system.

We are mindful of the interdependence of finance with the real economy, social cohesion and our natural eco-system. We nurture our connection to the communities we serve and are accountable for the risks we take and create for the people who use our products and services. Our focus on inclusion puts basic banking products in service of a greater number of people, rather than highly sophisticated products in the hands of a few. We are also highly aware of the externalities produced by our banking activities by the projects and clients we finance.

As a responsible organisation

Bank Muamalat supports the United Nations Sustainable Development Goals ("SDGs") in our business and sustainable practices. We have identified six (6) SDGs that are most aligned with our material issues and our sustainability efforts in FY2020. The Bank recognises the need to progressively take active steps to ensure our continuous commitment to contribute to the global development under the 17 SDGs. In this Report, we refer to the respective SDGs and how we have contributed to promote them in our sustainability initiatives under the respective material EES topics.

Based on our Mission and role as a responsible financial institution, we have categorised our sustainability activities according to the Economic, Environmental and Social ("EES") domains. These activities are further elaborated and reflected by our Material Matters as identified through our materiality assessment and stakeholder engagement:

ECONOMY

- Economic Performance
- Entrepreneur Development
- Responsible Financing
- Procurement Practices
- Ethics & Integrity
- Customer Experience
- Digital Banking

ENVIRONMENTAL

- Energy Consumption & Environmental Impact

SOCIAL

- Employment
- Diversity & Equal Opportunity
- Training & Education
- Community Development
- Financial Inclusion

**Global Alliance for Banking on Values ("GABV") is an independent network of banks using finance to deliver sustainable economic, social and environmental development; with a focus on helping individuals fulfil their potential and build stronger communities. It comprises 66 financial institutions and 16 strategic partners operating in countries across Asia, Africa, Australia, Latin America, North America and Europe. Collectively it serves more than 70 million customers, holds over $200 billion USD of combined assets under management, and is supported by more than 77,000 co-workers.*

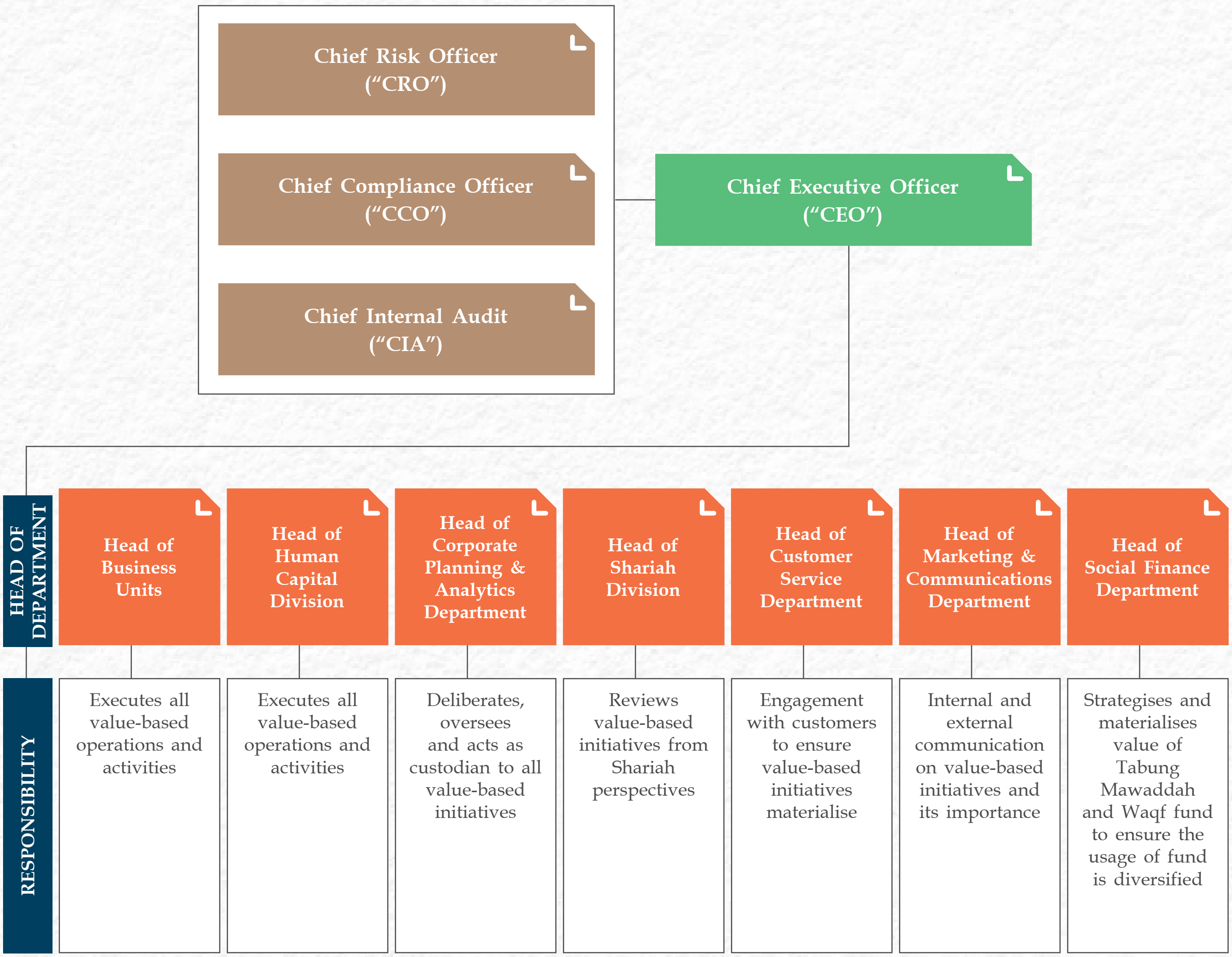
**Value-Based intermediation ("VBI") aims to deliver the intended outcomes of Shariah through practices, conduct and offerings that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests. The VBI Community of Practitioners or "CoP" is a collaborative platform for industry players to strategically advance industry-wide implementation of VBI agenda. CoP was initially founded by five (5) Islamic banks namely Bank Islam Malaysia Berhad, Bank Muamalat Malaysia Berhad, Bank Pertanian Malaysia Berhad (Agrobank), CIMB Islamic Bank Berhad and HSBC Amanah Malaysia Berhad. Today, in 2021, 14 banks are in the CoP.*

OUR SUSTAINABILITY APPROACH

SUSTAINABILITY GOVERNANCE

Our sustainability practices are overseen by our Value-Based Committee, which are accountable for ensuring the Bank adopts a sustainable business strategy. This is then crystallised through our leadership team and translated into Value-Based Initiatives, which our respective Heads of Department are responsible for implementing.

Sustainability Governance Structure



Sustainability pillars

Our approach to sustainability is guided by our sense of purpose; to create values for the long term; and manage our business in a balanced and responsible way. We do this through our three (3) sustainability pillars. Aligning to our role to deliver banking solutions, we have identified the relevant UN SDGs where we can contribute to the sustainability of the EES aspects in Malaysia. The Sustainability Goals adopted by Bank Muamalat in measuring our sustainability performance, are as follows:

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

ECONOMY

We are aligned to national goals and work to support the Malaysian government's and regulators' programmes towards enhancing national growth and development. We provide opportunities for local suppliers and adhere to corporate governance standards as well as codes of conducts aligned to Islamic values. We also pay our fair share of taxes and make economic contributions to the communities wherein we operate. We incorporate responsible financing in our lending practices, and conduct our business in a fair and responsible manner. This includes taking a proactive stance to combat bribery, corruption, protect customer data and prevent financial crime.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

ENVIRONMENTAL

We consider the impact our business operations has on the environment and society and continue to improve management of utilities, fuel and paper. In optimising our influence on the value chain, we support vendors that adopt sustainable practices, as well as companies that contribute to environmental-related preservation activities and adhere to environmental related regulations.

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

SOCIAL

Having good social impact is a core focus for Bank Muamalat. We advance financial inclusion for customers and contribute to the community. Understanding the greater impact we can have on the lives of our employees and their families, we seek to be a workplace of choice that prioritises welfare initiatives, develops potential and upholds fairness and integrity.

ECONOMIC

SDG 8.1

Sustaining per capita economic growth in accordance with national circumstances

SDG 16.5

Substantially reducing corruption and bribery in all their forms

ECONOMIC PERFORMANCE

FY2020 was a difficult year due to COVID-19, which resulted in significant economic slowdown as markets went into lockdown globally. Bank Muamalat's economic values generated, retained and distributed by the Company for the year ended 31 December 2020 are as follows:

ECONOMIC VALUE GENERATED
RM**1.2** Billion

ECONOMIC VALUE DISTRIBUTED
RM**916.0** Million

ECONOMIC VALUE RETAINED
RM**255.4** Million

Notes:

(a) Refers to the revenues and other income generated by the Bank

(b) Refers to operating costs, employee wages and payments to providers of capital

(c) Refers to Economic Value Generated minus Economic Value Distributed

Further details of our financial performance can be found under the Financial Statement section on pages 169 to 181.

ENTREPRENEUR DEVELOPMENT

The Bank's financing strategy is in alignment with the Government's agenda to boost micro, small and medium entrepreneurships ("SMEs"), with the goal of meeting Budget 2020's target for SMEs to contribute 50% to GDP by 2030. SME financing has grown into a full-fledged department focused on providing supportive financial solutions to help SMEs thrive and bring positive economic multipliers within local communities such as more employment and raising the standard of living. For SMEs, the Bank focuses on structured growth based on collaborations with identified parties and government agencies to leverage on partly secured guarantees. In addition, we have engaged in direct collaborations with several organisations such as GRAB, TNB and PUSRAWI in supporting their vendors and business partners through financing facilities.

The facilities made available to SMEs during the year, ranged from Special Relief Fund, SJPP Financing Programme, Penjana Tourism Fund, Targeted Relief & Recovery Facility ("TRRF"), and Vendor Financing Programme ("VFP").

RM56.8 million was approved for TRRF which was directed towards Malaysian SMEs in services sector affected by the reintroduction of COVID-19 containment measures since June 2020. RM25.5 million has been disbursed at end-December 2020. Having secured approval to launch Vendor Financing Programmes ("VFP") totalling RM600 million, the Bank subsequently inked MoU agreements with Petronas and PERNISMA for the above VFPs, wherein the target is to serve 1,552 Petronas vendors involved in direct supply and services to Petronas Group; and 658 members of PERNISMA who are TNB's Bumiputra vendors. RM5.5 million worth of approvals have been secured, with RM5 million disbursed under the programme by end-December 2020.

The Bank launched two (2) more entrepreneur targeted programmes during the year, namely the Commercial Property Financing ("CPF") and KLINIK PUSRAWI Licensing programme which will be opened for applications from customers in the second quarter of 2021.

Recognising the Bank's commitment to the SME market, several SME-related organisations invited Bank Muamalat as a panel participant for their webinars in order to offer advice on financial management. This opened up opportunities to market financing solutions to their members. A total of RM121 million in financing was approved for seven (7) co-operatives in FY2020.

We also continued to empower entrepreneurs through knowledge transfer sessions targeted to improve their 'bankability'. Due to the pandemic and MCO measures in place throughout most of the year, these sessions were marketed via social media and the actual knowledge transfer sessions were conducted online to targeted co-operative members. This paves the way for more product-related social media marketing as we commit to increase our customer base for entrepreneur development related programmes.

RESPONSIBLE FINANCING

The Bank is mindful of the responsible role we can play to improve the overall quality of lives of the broader community through our products, advisory services and relief measures.

Relief Measures & Debt Management

In response to significant economic disruption wreaked by the COVID-19 outbreak, the Bank offered financial relief measures to alleviate customers' financial constraints. These included up to six (6) months moratorium for the monthly instalment of financing, as well as accommodating requests by customers to restructure and reschedule their financing.

We also proactively engage customers with financial hardship under the debt management programme spearheaded by Agensi Kaunseling and Pengurusan Kredit ("AKPK"), whereby customers are given the opportunity to regain control of their finances with personalised payment plans. In special circumstances should customers encounter payment difficulties owing to natural disasters, the Bank also provides a temporary reprieve for them by granting a moratorium on financing payment.

Our commitment to Debt Management and Financial Planning extends towards educational initiatives in our effort to raise the level of financial literacy among society. The Bank has organised a series of briefings, talks and seminars via collaborations with organisations, government bodies, associations and NGOs; to highlight the importance of managing personal finances prudently. These educational sessions also served to inculcate good saving habits.

ECONOMIC

Uplifting the Community

As a Bank with a community focus, Bank Muamalat strives to make affordable financing more accessible to the underserved lower income groups and vulnerable sectors. This is done by actively channelling government funds and through our own financing solutions.

Efforts to uplift the community through these financing solutions are detailed in our Financial Inclusion initiatives on page 102.

Responsible Financing Policy Document

During the year under review, the Bank completed the review of our Responsible Financing Policy Document which is in line with our practice of responsible financing. We frequently reviewed our policies to ensure any policy changes from regulators were implemented in a transparent and prudent manner. Our employees were made aware of any policy change through the issuance of circulars upon release of new guidelines from regulators, and training sessions.

Enhanced Credit Assessment

To facilitate a more objective credit assessment, the Bank has an internal statistical-based credit scoring system which enables credit officers to better quantify the risk involved, hence helping to determine the creditworthiness of financing applicants. The Bank also conducts regular training to continually develop employees' ability to make insightful credit judgement amid the rapidly evolving credit management environment.

Financing within VBI parameters

The Bank ensures that new financing extended is within the VBI parameters towards positive EES outcomes. We intensify our focus on companies that act to enhance our environment and contribute to the wellbeing of communities.

Total VBI financing in FY2020 constituted about RM6,813.4 million or 37.2% of total financing.

During the year, our total exposure of business financing aligned with VBI has increased by 6.15% to RM3.28 billion from RM3.09 billion, accounting for 53% of total non-retail financing. All financing disbursed were in accordance with Shariah Governance and Shariah Risk Management policies.

The VBI-aligned portfolio consists of the following sectors:

RM227.7 Million
Preserving Natural Environment

RM198.9 Million
Education

RM1,742.2 Million
Platform for Raising Community Standard of Living

RM415.3 Million
Hospitals & Medical Provider

RM357.0 Million
Promoting Healthy Lifestyles

RM337.1 Million
SMEs

RM1,301 Million
Financing for underserved communities i.e. army personnel and pensioners

RM1,144 Million
Financing for lower income groups to own their first home

RM1,090 Million
Wealth financing towards improving quality of life and preserving financial security

On the retail financing front, alignment to VBI has catalysed initiatives towards inclusive financing, affordable housing and dynamic wealth creation products which are in line with Maqasid Shariah, delivering unique proposition to satisfy our customers' personal and financial wellbeing. These financial and non-financial products are offered through expanded and enhanced distribution channels to optimise access and reach to underserved communities.

As at 31 December 2020, total retail financing directed towards the following purposes totalled RM3,535 million. This encompasses RM1,301 million worth of financing directed to army personnel and pensioners; RM1,144 million financing towards helping lower income groups own their first home and RM1,090 million worth of wealth financing products targeted towards improving the quality of life and preserving financial security of the society across generations.

Staff Financing

Bank Muamalat offers our employees financial support through various financing and advances as part of employee benefits and to support their attainment of a comfortable, conducive and joyful family-oriented life.

Through the Staff Sundry Financing ("SSF") and Staff Structured Personal Financing ("SSPF") employees are able to service house and car financing, and Staff Bicycle Financing was also introduced to support healthy lifestyle choices. All employees of Bank Muamalat are entitled to the benefits of staff financing at competitive rates.

Besides that, the Bank offers a Festival Advance based on Qard before major festive celebrations to enable employees in managerial positions and below, earning relatively lower income, to prepare for the celebrations.

In FY2020, a total of RM4.9 million staff financing was approved for 133 employees, and RM1.04 million in festival advance was approved for 274 employees.

PROCUREMENT PRACTICES

Fair Treatment of Vendors

The Bank's procurement practices are consistently evaluated to ensure fair dealings and transparency in the process. The Bank's Regulatory Advisory & Compliance Division ("RACD") has been maintained as a member of the tender committee (for Non-IT related only) to ensure that all regulations are being adhered to in terms of Fair Treatment of Financial Consumers ("FTFC") & Outsourcing. In the interest of vendor relations, we have improved our turnaround time for invoice processing as well as being transparent in the evaluation of awards.

Prioritising Sustainable Practices

To ensure our sustainable policies are adopted within the procurement process, employees are trained to meticulously evaluate the vendors to ensure their business practices are aligned with our values. Prior to their appointment, we undertake a thorough evaluation of prospective vendors, and prioritise local vendors who practice sustainability aspects. These include vendors that empower communities such as people with disabilities and single mothers, local vendors who may have operations in rural areas, and vendors who adopt environmental initiatives.

We are proud to declare that all vendors engaged with in FY2020 were local. The Bank has also proactively engaged with vendors to better understand their business processes and evaluate initiatives that are aligned with VBI.

During the year, the following instances demonstrated the Bank's proactive favouring of VBI aligned vendors:

- Employed Koputra Property Care ("KPC") as our cleaning services company, whereby KPC was favoured for employing cleaners with disabilities.
- For Raya packets, we employed vendors that use recycled paper and environmentally friendly ink for printing.

Annual Vendor Performance Review

For every vendor selected, an annual vendor performance review is conducted. We achieved a 100% review in FY2020 and poor performing vendors were informed of their service gaps so that they can improve on performance.

ETHICS & INTEGRITY

Standing Against Corruption

The Bank adopts the anti-bribery and corruption management process pursuant to the Guidelines on Adequate Procedure of Section 17A Corporate Liability (Amendment 2018) MACC Act 2009. The Guidelines lay out the principles through the acronym of "T.R.U.S.T." (T - Top Level Commitment, R - Risk Assessment, U - Undertake Control Measures, S - Systematic Review, Monitoring and Enforcement, T - Training and Communication) that can be applied by the Bank to ensure that the Bank has a defence in the event an offence is committed. For each of the principles, the Guidelines provide a list of recommended initiatives and the following are among the initiatives executed by the Bank in FY2020:

- Management Commitment pledges and statements in combating corruption via Bank Muamalat's official website and Internal Communication Portal ("ICP")

ECONOMIC

- Attestation of *"Akujanji Bebas Rasuah"* by all employees of the Bank
- Establishment of an Integrity & Governance Unit to initiate integrity and governance engagements via (integrity.governance@muamalat.com.my)
- Implementation of Corruption Risk Assessment ("CRA"); Gift & Entertainment Policy; Anti-Bribery & Corruption Policy; and Vendor Code of Conduct
- Publication and distribution of Anti-Bribery & Corruption Handbook
- Anti-Bribery and Corruption ("ABC") Training & Awareness Session for employees, the Management and Board of Directors
- Rolling out of Anti-Bribery & Corruption Talk Session
- Anti-Bribery & Corruption Training *"Tumbuk Rusuk"* virtual training by external provider for all employees
- Virtual training and induction for new hires and Consumer Financing Executives ("CFE")
- Ensuring continuous awareness via desktop alerts and screensaver reminders

Enhancing Whistleblowing

The Bank expects the highest standard of integrity from all our employees and vendors. We take a serious view of any wrongdoing by any of our employees, managers, directors, and vendors, particularly on their obligations to the Bank's interest. We believe instilling integrity among employees, building an ethical work environment and promoting ethical engagement with other parties will help curb corruption, abuse of power, and malpractice from occurring within the Bank.

Our Whistleblowing Policy is available on the Bank Muamalat's corporate website at https://www.muamalat.com.my/downloads/privacy-policy/BMMB_whistleblower_V2.pdf

To this end, we have established a Whistleblowing Policy to guide all employees, suppliers, vendors, associated stakeholders, and customers to voice their concerns when they become aware of any potential wrongdoings for us to take swift and effective actions to maintain the support and trust of the employees and stakeholders. The Policy provides clarity on the oversight and responsibilities of the whistleblowing process, protection, and confidentiality afforded to whistleblowers.

The Bank is wholly committed to ensuring strict confidentiality and protection of any whistleblower's identity from any form of reprisal due to the disclosure. In providing further assurance, since 2010, the Bank has established a Muamalat Ethics Line - a dedicated whistleblowing channel managed by an independent third party for employees, vendors, and customers to raise any concerns related to corruption, bribery, fraud or any misconducts. It provides all stakeholders an easy access to lodge whistleblowing reports via three (3) easy methods:

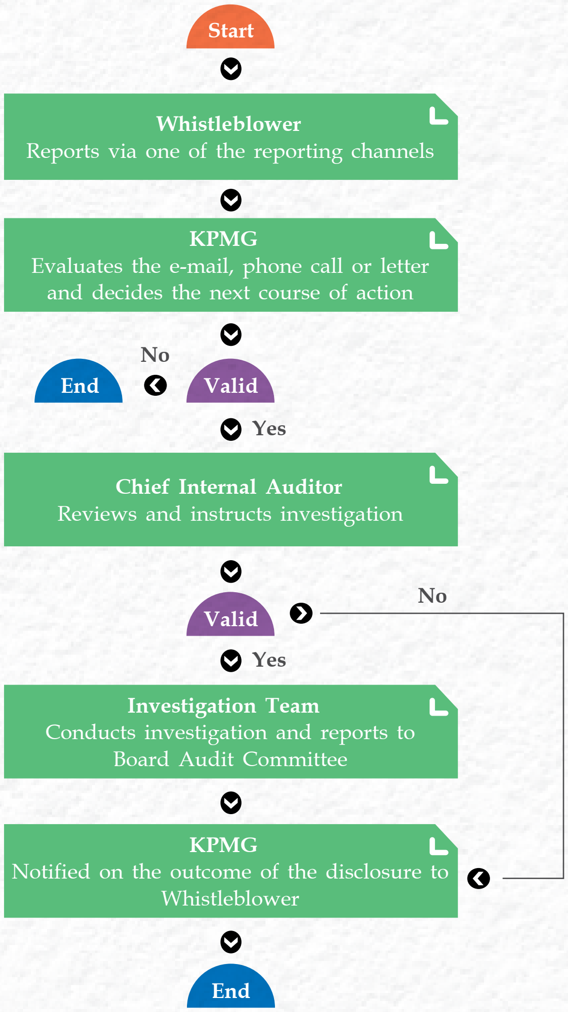
E-mail
muamalat_ethicsline@kpmg.com.my

Hotline (Toll free)
1800 88 8131

Letter
Muamalat Ethics Line, P.O. Box 8595,
Pejabat Pos Kelana Jaya,
46793 Petaling Jaya

These independently managed channels encourage employees and members of the public to come forward and champion an ethical environment and professional workforce, without fear of leaks, loss of anonymity or reprisals.

Bank Muamalat's Whistleblowing Process Flow



Other Enforcement Authorities

Polis Diraja Malaysia ("PDRM")
rmp.gov.my

Suruhanjaya Pencegah Rasuah Malaysia ("SPRM")
https://www.sprm.gov.my/

Bank Negara Malaysia ("BNM")
Bank Negara Malaysia | Central Bank of Malaysia
https://www.bnm.gov.my

CUSTOMER EXPERIENCE

Annual Mystery Shopper and Mystery Call Programme

To understand our customer experience at branches and via the Bank's contact centre, we conduct an annual Mystery Shopper Programme to ensure continuous efforts in delivering good service. Each year, through findings attained via this programme, we find ways to improve our weaknesses. Due to the MCO, the annual Mystery Shopper Programme was conducted through Mystery Call for Contact Centre for FY2020. Instead of a Mystery Shopper visit to the branches, Mystery Calls were made to Bank Muamalat's Contact Centre covering peak and non-peak hours. A total of 40 survey calls were made in four (4) months for the purpose of evaluating the performance of Call Centre Executives. The engagement was then rated and scored according to three (3) key areas of assessment, namely, Accessibility; Call Management; and Competency. The results were shared with all relevant departments and employees to ensure continuous delivery excellence.

For FY2020, the average score for the contact centre increased 2.98% from 81.18% in FY2019 to 84.16% in FY2020.

Waiting Time at Branches

As our branches still serve as our main customer touchpoint, we seek to continuously improve waiting time at our branches while strengthening our digital presence to reduce the need for our customers to visit the branch. Daily and monthly monitoring of branch performance are conducted and counter services monitored through the Queue Management System ("QMS") to measure performance against the standard target of 80% of customers to be served within 10 minutes.

For FY2020, the target of customers being served within 10 minutes rose 6% to 74% from 68% in FY2019. Our QMS Reports are automatically directed to respective branches so that the management of services can be rectified promptly.

Complaints & Feedback Management

One of key contributors to customer satisfaction is how well and how fast feedback is managed and resolved. To evaluate our customers' experience, we measure the number of calls and complaints received and resolved, as well as the time taken to resolve them.

ECONOMIC

We received 621,095 calls to our Customer Service Centre in FY2020, almost double of the 325,679 received the year before. Majority of the calls (47%) were in relation to internet banking due to the upsurge in online banking transactions during the year. Total answered calls improved to 90.7% as compared to 87.3% in FY2019. Call abandonment rate lowered to 9% in FY2020 as compared to 12.7% in FY2019. There was also a 16.32% increase in monthly average complaints received as compared to FY2019, which totalled 2,648 complaints.

In an effort to exceed industry standards of resolving cases within 14 days, we have targeted to resolve cases within two (2) working days and in FY2020 we are proud to have achieved this turnaround time ("TAT") on all feedback resolution and 91% of complaints. All cases were resolved fairly and on a timely basis.

The involvement of the Bank's Senior Management ("MANCO") in relation to customers' feedbacks and complaints has been a key strength on this front as it elevates customer satisfaction as a significant agenda for the Bank. MANCO is involved in the review of performance and effectiveness of feedback handling to ensure due process is undertaken, and identify areas where the Bank has fallen short in delivering a fair outcome to our customers.

Customer Data Protection

With increased digitalisation, the Bank is mindful of the need to be vigilant against new cyber threats and ensure customer data privacy. To ensure robust cyber security controls are in place, and information within the Bank is protected, the Bank has undertaken these initiatives:

- Advanced Security Operation Centre ("ASOC") which monitors the bank network and endpoint security posture through various sensors such as Firewall, Network IPS, server logs and endpoint malware security plus threat intelligence feed and phishing/brand monitoring.
- Symantec software DLP solution which filters electronic data in/out from workstation/PC/Laptop plus Hard Disk encryption for laptops provided to staff by BMMB.
- Enhanced or amended monthly Cyber Security Dashboard Reporting for Management and Board of Directors.
- Enhanced annual Penetration Testing and Vulnerability Assessment.

DIGITAL BANKING

Digital Banking Solutions

We continue to advance digital banking capabilities in FY2020, driven by the pandemic environment which catalysed more online transactions and engagements. Investments on this front are empowering our customers to take charge of their financial wellbeing according to their own risk appetite.

Several new initiatives were introduced for FY2020 towards becoming a digitalised bank, among which was the introduction of the Muamalat Application Platform ("MAP") for online applications of our financing products. Through MAP, financing applications are faster, easier and more accessible, eliminating the need for multiple visits to branch. As at end FY2020, a total of 516 financing applications have been approved via MAP. The data analytics employed in MAP has also improved processes, as the Bank can easily and efficiently monitor the figures achieved by the sales team via MAP's admin dashboard. This allows for better deliverables, and faster approvals and disbursements.

The development of eKYC solution, partnering with our sister company POS Malaysia, for customer on-boarding was embedded in MAP during the year. With the introduction of eKYC capabilities, the Bank is able to promote our products to new market segments, and increase deposit revenue.

In July 2020, another digital initiative was successfully realised when the Ar-Rahnu Online Auction System was rolled out as a solution towards improving the impairment rate of Ar-Rahnu business. The system has already proven to significantly reduce impairment from RM6.1 million in April 2020, to RM2.3 million by end-December 2020. Phase 2 of this project is the launch of the mobile app which will be completed by 2021.

The establishment of Jariah Fund in September 2020 as part of Social Financing, was the final digital banking initiative unveiled in FY2020. This is an industry-first social welfare crowdfunding platform to help those in need and promote sustainable impact to uplift the socioeconomic status of marginalised communities. The platform eases the donation drive through its transparent features by providing current updates of the amount collected and the state of the intended beneficiaries. It has also enabled the Bank to segregate and equally distribute the funds collected to intended receivers more efficiently.

As at 31 December 2021, the Jariah Fund has collected a resounding RM40,415.00 for a total of 11 on-going projects in collaboration with five (5) partners, namely, the National Autism Society of Malaysia ("NASOM"), Yayasan Ikhlas, Yayasan Muslimin, Yayasan Sejahtera and Malaysian Association for the Blind ("MAB").

Data Governance & Security

In a world that is increasingly data driven, the Bank is investing in initiatives to strengthen the governance structure and develop methodologies with regard to data management particularly on data accuracy and data integrity. This will facilitate data integration efforts and enhance data integrity towards contributing to the accuracy of business intelligence, enterprise reporting and analytics applications. Through a future of improved data integrity and reduced data errors, the following benefits can be harnessed:

Employees

With enhanced integration of data from reliable data sources, employees can access customer data and profiles faster for improved productivity and better analysis.

Regulatory Bodies

The increased capabilities and efficiency in submitting big data as per regulatory requirements presents an opportunity for regulators to enhance their understanding of both the institutions they regulate and the credit exposures of individual obligors across institutions.

Customers

Customers will feel more assured as their loyalty and trust is fortified when they know that data is more protected, in line with regulations, and that the Bank is able to monitor data breaches better.

Currently, the Bank is implementing the initiatives under the Data Management Roadmap that spans from 2019 to 2022, for development of an effective data management platform (i.e. data governance framework and infrastructure), capacity building on data analytics and improve quality of data for the Bank.

The Roadmap focuses on three (3) areas; Governance, Technology and Infrastructure, and Operations and Training; to address issues related to data management within the organisation.

To date, the Bank has developed and established the following:

- Data Governance Structure such as the establishment of a Data Management Committee, Data Ownership, and re-organisation of Data Management Division ("DAMD")
- Policies on Data Governance and Data Quality
- Data Warehouse (i.e. development of Data Lake and Data Warehouse)
- Awareness & Training related to Data Governance, Data Visualisation, Data Warehouse and Data Quality

The following initiatives are in progress:

Data Management Phase 2
(Targeted to be completed by 2021)

- Review and improvement on the current Data Governance Structure.
- Enhancement on Policy on Data Management.
- Review on Data Dictionary and Data Classification.

Data Lake & Data Warehouse Project
(Targeted to be completed by 2021)

- Continued development of a bank-wide project for Centralised Repository Platform, which includes Data Lake (foundation for big data), Quality tools, Enterprise Data Warehouse ("EDW"), and Business Intelligent tools solution to ensure a single source of information.

Data Quality Solution Project
(Targeted to be completed by 2022)

- Development of data quality tool to acquire accurate, reliable and timely data in order to meet internal and external reporting requirements, and for analysis purposes.

ENVIRONMENTAL

SDG 12.2

Sustainable management and use of natural resources

SDG 12.5

Substantially reduce waste generation

SDG 12.6

Encourage companies to adopt sustainable practices and sustainable reporting

BUILDING ENVIRONMENTAL AWARENESS AND SUSTAINABLE ECOSYSTEMS

A monthly Environmental Awareness programme has been introduced at Bank Muamalat in line with growing awareness of our impact on the environment and affect positive behavioural and culture change towards our natural environment across the Bank. As part of this programme, monthly digital bulletins on environmental issues are e-mailed to all Bank employees. A Recycling Station, supported by posters on recycling, has also been set up at the cafeteria to encourage Bank employees to adopt a more sustainable lifestyle and reduce waste. The project was completed in March 2021 and the weight of recycled items is being monitored to better gauge the impact delivered through this initiative.

By leading the change and slowly making these alternatives the norm, we hope to bring improvement to the level of awareness, understanding and appreciation of sustainability practices at the Bank.

This mindfulness has pushed Bank Muamalat a step forward in engaging with vendors that adopt environmental initiatives and sustainable practices. We believe that just by making an informed decision to prioritise sustainable initiatives, the final aim of VBI can be realised.

In FY2020, to print Raya packets, the Bank employed vendors that use recycled paper and environmental-friendly ink; and in choosing corporate gifts for VIPs, we opted for upcycled gifts created by the Biji-Biji Initiative, a social enterprise that seeks to popularise sustainable living by reusing waste creatively. These reflect how a simple switch in small areas can start to make a difference in living up to the ideals of VBI. Through these choices, the support provided to the sustainable ecosystem will also have a cascading impact on encouraging businesses to champion green practices.

The Bank's sustainable corporate gifts include the Angsana Pouch Bag from Biji-Biji, which is innovated from tarpaulin banners that are commonly hung around as promotional items; and the Saga Clutch Bag, produced from rejected car seat belts.

Accompanying these small initiatives, a more VBI aligned direction in our business is leading to increased total exposure to financing aligned with Preserving the Natural Environment. This is done through an extended credit assessment that delves into VBI aspects of the projects. We currently direct this financing towards companies that contribute to environment preservation activities through indicators such as certification in Good Manufacturing Practice ("GMP"), Malaysia Sustainable Palm Oil ("MSPO"), and Good Agriculture Practice ("GAP"), among others; as well as companies that adhere to environmental-related regulations. Financing on this front has increased from RM172.3 million in FY2019 to RM227.7 million in FY2020.

ENERGY AND RESOURCE MANAGEMENT

At the workplace, we continue to advocate resource and energy efficiency as well as sustainable infrastructure, processes and systems towards achieving sustainable business goals. The inception of the Cost Saving Initiative ("CSI") Taskforce in the last quarter of 2019 has intensified focus on energy and resource management. Multiple initiatives to reduce cost and at the same time better manage the Bank's consumption of energy, water, fuel and stationery supplies have since been implemented. The initiatives target infrastructural changes as well as behavioural mindfulness by employees. The following cost saving initiatives were kicked off during the year under review:

Reduce Utilities Cost

Initiatives Implemented:

- Lights off at offices and toilets during lunch break
- Installation of LED lightbulbs
- Effective chiller management whilst maintaining the cooling at HQ office
- Control usage of split air-conditioners
- Switch off power usage of desktop (during lunch and after office hours)
- Reduce air conditioning temperature by 1 Celsius
- Scheduled maintenance for water pipes and water tanks
- Lowering water pressure/system
- Reminders to conserve water and turn off taps

TOTAL SAVINGS FOR FY2020

RM577,000

ENVIRONMENTAL

Reduce Stationery & Printing Costs

Initiatives Implemented:

- Encourage reduction of stationery use
- Minimise printing through increased digitalisation
- Replacement of MPV (Multi-purpose Voucher) utilisation with A4 paper for selected transactions posted by PSC (Payment Settlement Centre)
- Relocation of photocopy machines to a centralised location

TOTAL SAVINGS FOR FY2020

RM1.34 Million

Fuel, Mileage & Travelling

Initiatives Implemented:

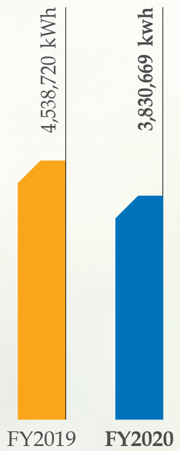
- Online training for employees at branches
- Minimise travel by Branch representatives

TOTAL SAVINGS FOR FY2020

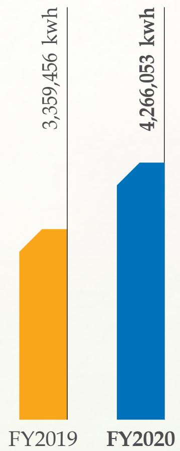
RM2.09 Million

The following data discloses our utilities, paper and fuel consumption in FY2020:

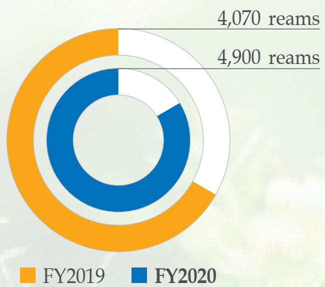
Total Electricity (HQ)



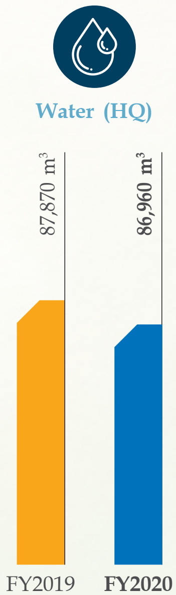
Total Electricity (Branches)

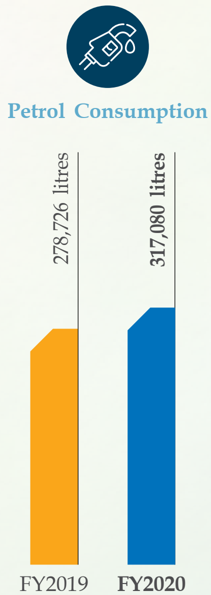


Total Paper Purchased (HQ)



In FY2020, there was an overall reduction in paper used by most departments in the Bank. However, there was also an increase in A4-size papers purchased due to the implementation of the moratorium that involved processing of customers' applications. The increase in overall business also contributed to the need for more A4 papers. We are confident that the Bank's plan to digitise all processes will contribute to greater savings in the future.





Petrol consumption in FY2020 increased due to an increase in petrol cards issued and headcounts. However, there was reduction in terms of individual usage. In 2019, per person usage was 218.8 litres, however, in FY2020, this reduced to 174.3 litres per person.

Multiple initiatives to reduce cost and at the same time better manage the Bank's consumption of energy, water, fuel and stationery supplies have since been implemented.

SOCIAL

SDG 4.4

Increasing the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

SDG 8.6

Reducing the proportion of youth not in employment, education or training

SDG 8.8

Promoting safe and secure working environments for all workers

SDG 10.2

Empowering and promoting inclusion of all, irrespective of age, sex, disability, race and ethnicity

Our success over the years is anchored on the relationships we build with our employees and partners, and by the mutual trust and respect we foster for those who are most impacted by how we operate.

EMPLOYMENT

2,034
Total Number of Employees

1,013
Total Number of HQ Employees

1,021
Total Number of Branches Employees

Our success over the years is anchored on the relationships we build with our employees and partners, and by the mutual trust and respect we foster for those who are most impacted by how we operate. Our approach to manage the well-being of our people is embedded in robust employment policies to ensure the right working conditions and experience. Our Company's Core Values and the Code of Conduct guide the desired attitudes and practices of our people to help create a great workplace for everyone. We offer competitive compensation and benefits, aligned to industry best practices, to allow us to attract and retain the best talent. Benefits provided to full-time employees, include:

	Senior Management	Managerial	Executive	Non-Executive
Group Term Takaful[1]	√	√	√	√
Healthcare[2]	√	√	√	√
Disability and Invalidity Coverage[3]	√	√	√	√
Parental Leave[4]	√	√	√	√
Retirement Provision[5]	√	√	√	√
Stock ownership	n/a	n/a	n/a	n/a
Compassionate Leave[6]	√	√	√	√
Other Types of Leave[7]	√	√	√	√
Flexible Work Arrangement[8]	√	√	√	√
Other Allowances[9]	√	√	√	√
Membership with Professional Bodies[10]	√	√	n/a	n/a
Staff Financing[11]	√	√	√	√

1. *Includes Group Term Takaful and Critical Illness (only applicable to Senior Management and managerial employees)*
2. *Includes Medical benefits, Dental benefits, Optical benefits, Executive Health Screening and Child Delivery charges*
3. *Includes Group Personal Accident, SOCSO, Employee Insurance Scheme ("EIS")*
4. *Includes Maternity Leave and Paternity Leave*
5. *Includes EPF Top Up Plan, early retirement and Pre-retirement Leave (only applicable to executives and non-executives)*
6. *Includes death of family members, natural disaster and immediate family being hospitalised*
7. *Includes Annual Leave, Sick Leave, Hospitalisation Leave, Prolonged Illness Leave, Marriage Leave, Hajj Leave and Examination Leave*
8. *Includes Staggered Work Hours and Reduced Work Hours*
9. *Includes Warm Clothing Allowance for travelling to temperate countries, Acting/Relief Allowance, Regional Allowance (only applicable to East Malaysia), Outstation Duty Allowance*
10. *Includes professional membership (only applicable to Senior Management and managerial employees)*
11. *Includes Staff Sundry Financing, Staff Structured Personal Financing, Staff Bicycle Financing, Staff Vehicle Financing, Muamalat Car Scheme (VP and above) and Staff House Financing*

SOCIAL

Ensuring Workplace Safety and Employee Wellbeing

Despite the challenges brought by the COVID-19 pandemic, Bank Muamalat consistently maintained a safe and conducive work culture as well as delivered on our social responsibilities to our communities under a new normal environment. The year saw the Bank ensuring the safety and welfare of 2,034 employees, coming through in their time of need during the imposed Movement Control Order ("MCO").

Intensified focus was directed towards ensuring a safe and sanitised workplace for employees. This was a priority in ensuring uninterrupted operations and delivery of reliable services to our stakeholders throughout the pandemic. Work from home measures were swiftly adopted to ensure safe social distancing could be easily adopted at workplaces. The clear communication and guidance on standard operating procedures ("SOPs") provided during the year to keep the virus from spreading proved effective as the Bank's infectivity rate was kept below 0.5% among the employees in FY2020.

During this period, healthcare benefits were extended to include coverage for COVID-19 testing as well. Employees categorised as close contact (P2) or Person under Surveillance ("PUS") could get tested at private facilities with all costs borne by the Bank. For COVID-positive (P1) cases, the Bank included coverage of swab tests at private facilities for the spouse and children of infected employees.

Other new healthcare benefits introduced included providing all employees the opportunity to be treated at their preferred medical facilities, and the ease to have long term medication delivered to their preferred address. To this end, we worked with e-Farma, a third party administrator, to facilitate employees who are under Long Term Medication to obtain their prescription and medication online, ensuring that they could continue receiving their medication without having to visit the clinics or hospitals, thus minimising their exposure to public places during the pandemic period.

Prudent Cost Management

Despite rising medical costs, the Bank managed to reduce employees' medical costs through smart management of medical benefits. In FY2020, we reduced medical costs by RM2 million (13.32%) as compared to FY2019, even as the national medical inflation rose to 15%.

The Bank's medical costs decreased by 13.32% even as the national medical inflation rose to 15%.

The following were some of the initiatives introduced to contain medical costs in FY2020:

Channelling of employees under Long Term Medication to subscribe to e-Farma

A total of 182 employees and 40 eligible dependents were subscribed to e-Farma by 31 December 2020. This led to a total savings of RM256,776.29; averaging RM1,410.86 per employee.

Introduction of Pay & Claim GP visits for managerial employees

Average cost per visit from March to December 2020 was lower for managerial employees. With the non-credit terms of Pay and Claim, their average of RM84 per visit proved to be 16% and 27% lower respectively from Executive (RM100) and Non-executive (RM115) employees. Based on the total number of 2,553 managerial visits in FY2020, and comparing the RM84 average cost to the RM108 average of non-managerial staff, a savings of RM61,272 (22.2%) was achieved from managerial employees.

Providing incentives to encourage employees to utilise their personal medical coverage

Employees were encouraged to use their own tactful coverage or their spouse's medical benefits instead of utilising coverage provided by the Bank. In return, the Bank pays cash rewards to the employees. It is thus a win-win initiative that sees the Bank benefiting from cost savings, while employees enjoy extra cash for other expenses.

For FY2020:

Total Claims	: 19
Total Invoice	: RM149,001.31
Total Cash Reward	: RM14,700.00 (9.87%)
Total Cost Saving	: RM134,301.31 (90.13%)

Facilitating the utilisation of PERKESO benefits, such as physiotherapy, to support affected managerial employees with medical conditions, as part of the Bank's Return to Work Programme ("RTW")

The Bank identified 61 employees who required initial assessment based on their SOCSO claims submission, medical cost and diagnosis. Four (4) employees have been assessed and approved to join the RTW Programme.

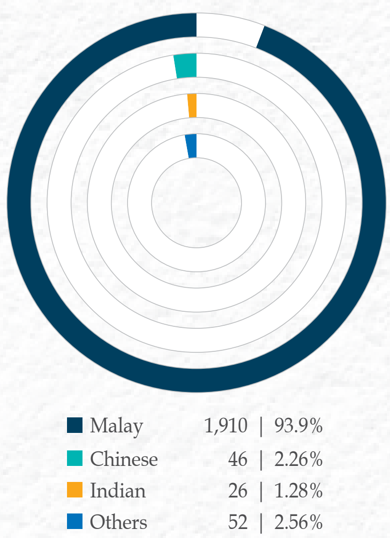
This resulted in total savings of approximately RM117,444. Before the RTW programme the average cost of RM25,092 per month was fully borne by the Bank. This reduced to RM15,305 per month or RM9,787 (39%) lower, as part of the cost was absorbed by PERKESO by utilising their readily available benefits, such as physiotherapy.

DIVERSITY & EQUAL OPPORTUNITY

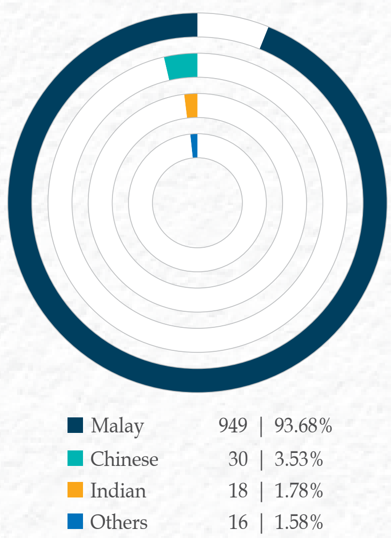
Through the Bank's Code of Conduct, policies and SOPs, we strive to develop and promote a culture of diversity and equality throughout our organisation. We continue to ensure no single employee is treated differently to one another by providing them with equal opportunities to fulfil their potential. For FY2020, the breakdown of our employees by minority group according to working location and employee category was as follows:

Employees by Minority Group (%)

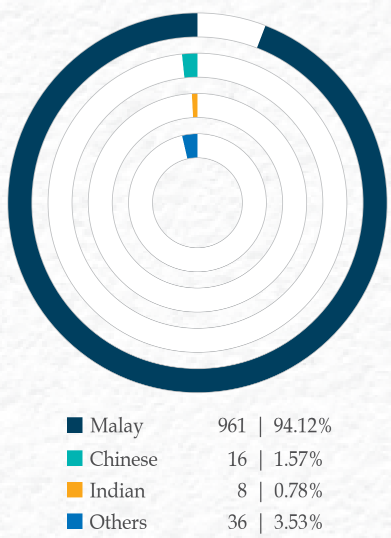
Bank-wide



HQ



Branches



SOCIAL

In terms of employee category, we recorded the following by age and minority groups:

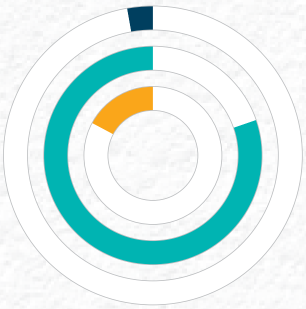
735
Total Number of Managerial Level Employees

1,209
Total Number of Executive Level Employees

90
Total Number of Non-Executive Level Employees

Employee Category by Age Group (%)

Managerial



≤30	20	2.72%
31-50	589	80.14%
>50	126	17.14%

Executive

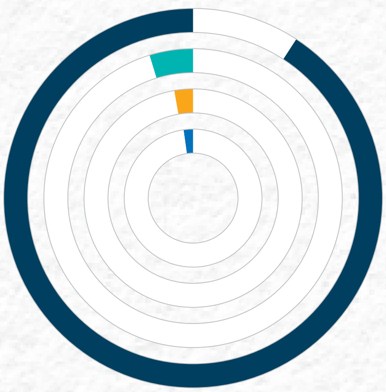
≤30	402	33.25%
31-50	744	61.54%
>50	63	6.12%

Non-Executive

≤30	6	6.67%
31-50	61	67.78%
>50	13	14.44%

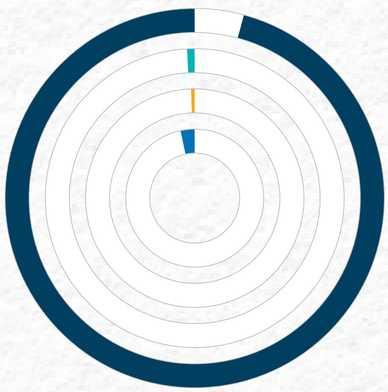
Employees by Minority Group (%)

Managerial



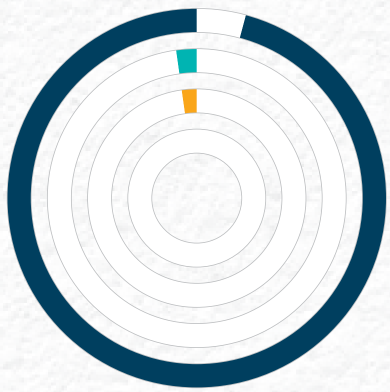
Malay	667	90.75%
Chinese	34	4.63%
Indian	19	2.59%
Others	15	2.04%

Executive



Malay	1,157	95.70%
Chinese	10	0.83%
Indian	5	0.49%
Others	37	3.06%

Non-Executive



Malay	86	95.56%
Chinese	2	2.22%
Indian	2	2.22%
Others	0	0.00%

Efficient preventive and remedial actions are taken against any matter categorised under "Diversity and Equal Opportunity". We are happy to report that for FY2020, there were no issues or reports concerning equality from internal and/or external stakeholders.

TRAINING & EDUCATION

Training is a core priority at the Bank as it directly impacts productivity and quality of work. As a financial institution, regular training is required to fulfil recommendations by regulatory bodies, adhere to required compliances and to ensure employees in the financial industry are well trained and well versed with all financial acts. For employees, a rigorous training programme leads to increased job satisfaction and morale, and capabilities. It also enhances motivation to seek greater efficiencies in processes and adopt new technologies and methods.

All our 2,034 staff participated in a total of 118,796 training hours during the year. On average, there was a 22% increase of staff trained in FY2020 from FY2019, with the average percentage of participation for all categories of programmes rising by 48%. This was due to the online medium used during the year which has allowed for greater accessibility and convenience. Average training hours also decreased by 15.4 hours due to the shorter duration of online trainings. The total number of programmes decreased to 67 from 78 the previous year, as there were less external programmes due to the pandemic.

To overcome the challenges of MCO and social distancing during the year, the Bank provided a series of online training programmes for employees that were accessible even by non-office network. This ensured uninterrupted training as employees could participate in the session from wherever they are, at their own convenience.

A total of 16 Online Learning programmes were conducted during the year, focusing on training modules that encompassed Regulatory Compliance, Shariah Knowledge, Consumer Product Training, the Executive Learning programme and several induction programmes.

Shariah Knowledge

Towards enhancing workforce capability, this internally-implemented course provided an understanding and application of Shariah values into mobilising a High Performance Culture under the Brilliance through Islah ("BTI") concept. The training series included intervention programmes to focus on Intelligence Quotient ("IQ") and Emotional Quotient ("EQ") development. A BTI motivation session for employees was conducted in October 2020 followed by bi-monthly sessions that cater to 30 employees at a time due to the need for social distancing. The objective is to re-calibrate employees' self-actualisation in relation to their commitment to their employer from the perspective of Shariah and ethical demands for maximum delivery of given expectations.

Talent Development & Succession Planning

The Executive Leadership-MBA programme which commenced in November 2020, was offered to 10 identified talents in managerial roles from Business and Support functions, to further groom and develop them as part of the Bank's succession planning and talent retention strategy. Through this programme, the Bank's identification of successors for Key and Critical positions is achieved. A total of 21 talents for key positions and 14 for critical positions have been identified to date. This ensures a sustainable talent pool for future leadership positions and the ability to have uninterrupted transition of key and critical functions when a position is vacated. Further development programmes are to be based on dual career track of Specialist and Generalist functions.

Fit-for-Role Exercise

Fit-for-Role exercise was conducted for frontliners and head office personnel to ensure they had the knowledge, skills and capabilities to serve stakeholders with efficiency and excellence. The exercise; conducted by a panel of interviewers from Consumer Banking Division, Banking Operations Department, Human Capital Division, Risk Management Division and Regulatory Advisory & Compliance Division; assessed the personnels' IQ and EQ competencies as well as made observations on their personal interactions. Based on their level of knowledge and soft skills, the exercise highlighted gaps in the current structured development programmes for these roles. While non-fit candidates are recommended for redeployment to more suitable positions, talents are identified for future career advancement.

The assessment exercise for head office personnel was completed in October 2020, while assistant branch managers underwent the assessment in November 2020, and branch managers were assessed from February to March 2021.

SOCIAL

FINANCIAL INCLUSION

Bank Muamalat's commitment to financial inclusion is aligned with the national agenda of easing access to financial services for every segment of the society to enhance their financial capability. This is in line with Bank Negara Malaysia's Policy on Lending/ Financing to the Priority Sector. We make affordable financing more accessible for customers to achieve life goals such as owning homes, motor vehicles and helping sustain their cash flow; as well as help entrepreneurs build resilient businesses through access to financial support.

Affordable Home Financing

Supporting of Bank Negara Malaysia's ("BNM") initiatives to assist first time house buyers to own a home, we actively market Skim Rumah Pertamaku ("SRP") and Skim Jaminan Kredit Perumahan ("SJKP"), in providing home financing to low income earners, self-employed individuals and operators of small business entities. The new scheme offers first time buyers of houses (priced up to RM300,000 mortgages for SJKP and RM500,000 mortgages for SRP) with attractive key features such as margin of financing of up to 110% and waiver of ancillary costs. During the year, the Bank also introduced a new home financing package, namely SMART Mortgage Solution and SMART Home Package towards the same objectives. As a whole, in FY2020 over RM292 million for 2,768 accounts was disbursed for the purchase of affordable homes through these home financing products and home ownership schemes.

As a whole, in FY2020 over RM292 million for 2,768 accounts was disbursed for the purchase of affordable homes through these home financing products and home ownership schemes.

Other Retail Financing

On the personal financing front, we provide accessible solutions for low income groups with an added focus on debt management, cash flow improvements and prudent investments. In FY2020, financing amounting to over RM750 million was disbursed to 10,133 individuals through these personal financing products.

The Bank also created a Graduate Scheme which enabled fresh graduates to own cars. This saw the disbursement of RM12.48 million for 267 accounts in FY2020.

ASB Financing was also made accessible to underserved low income community and new recruits in the Armed Forces, which resulted in RM63.02 million financing for 1,275 accounts during the year.

Vulnerable SME Retail Sectors

Given the challenging economic issues of the year, Bank Muamalat also extended financing to small medium entrepreneurs ("SMEs") under programmes backed by Government guarantee schemes, towards ensuring their business sustainability and resilience, and mitigating any cascading effects of supply chain disruptions, unemployment and loss of income within affected communities. These were supported by Entrepreneur Development programmes as reported on page 85 (under Economic).

Providing support to vulnerable business sectors, the Bank disbursed RM25.50 million of the BNM SME Retail Fund to 91 accounts during the year.

COMMUNITY DEVELOPMENT

Contributing to Industry Knowledge and Leadership

As part of BNM's VBI Community of Practitioners, Bank Muamalat is actively involved in the VBI Financing and Investment Impact Assessment Framework ("VBIAF") Sectoral Guide Working Group, and led as project manager for the VBIAF Sectoral Guide on Energy Efficiency. This sectorial guide is created to rigorously evaluate companies that are promoting energy efficiency projects and activities. On 10 September 2020, the Bank provided a briefing on the document via a virtual Townhall Session organised by IBFIM, attended by almost 1,000 participants.

Currently, Bank Muamalat is also involved in the second cohort for VBIAF Sectoral Guides on Construction. The consultation document is expected to be completed by the end of 2021.

Empowering Communities through Social Finance

The Bank's Social Finance Department ("SFD") manages zakat and wakaf funds and other related initiatives for charitable purposes.

Wakaf Muamalat is a collaboration between Bank Muamalat and State Islamic Religious Councils in the co-management of cash waqf fund via a joint management committee ("JMC"). Since its inception in 2012, Wakaf Muamalat through its JMC has approved 113 projects in education, health, and investment nationwide. Members of the public can donate through direct deductions of their bank accounts to their selected wakaf institution. Despite the tough year, contributions to Wakaf Muamalat amounted to RM30.7 million. As at the FY2020, the JMC has approved RM25.3 million for projects and RM16.5 million has been disbursed.

SFD also manages Tabung Mawaddah, an internal charitable fund contributed by zakat and alms (sadaqah) sourced by the Bank and our employees. Tabung Mawaddah is dedicated to aid and implement charitable activities to eight (8) categories of Asnaf recipients (Fakir, Miskin, Amil, Muallaf, Riqab, Gharimin, Fisabillah and Musafir) and to needful employees in the event of death, accidents, natural disasters, and other such unfortunate situations. In FY2020, a total of RM2.07 million was contributed to these recipients.

In FY2020, Tabung Mawaddah embarked on a digital journey with the launch of a crowdfunding platform known as Jariah Fund. Through this platform, Tabung Mawaddah collaborates with selected non-governmental organisations ("NGOs") to identify beneficiaries in need of funds and create crowdfunding campaigns to help them. Besides that, the public can also access our Jariah Crowdfund website and choose the preferred charity work that they want to contribute to. As at FY2020, Jariah Fund has collected RM40,415 through seven (7) crowdfunding campaigns.

Contributing to the Fight Against COVID-19

This year due to the pandemic, all our yearly programmes were postponed and we concentrated on efforts to assist the government, medical community and those most affected by the outbreak. Bank Muamalat contributed a total of RM434,914 in donation to support Tabung Negara, Tabung Negeri Selangor Darul Ehsan, frontliners, hospitals, NGOs and affected communities such as the homeless, tertiary students far from home, and our customers.

Funds were used to purchase necessities and essential needs for hospitals and frontliners; supply food and necessities to institutions and frontline communities; and help ease the burdens of those affected.

Bank Muamalat contributed a total of RM434,914 in donation to support Tabung Negara, Tabung Negeri Selangor Darul Ehsan, frontliners, hospitals, NGOs and affected communities such as the homeless, tertiary students far from home, and our customers.

SOCIAL

Donation to Tabung Bencana Negara (RM100,000) and Tabung Negeri Selangor Darul Ehsan (RM10,000)

These contributions were to help the government and state government to purchase essential items for frontliners and rental of other items such as tents, tables and chairs, in managing the pandemic.

Donation to Angkatan Tentera Malaysia ("ATM"), Polis Diraja Malaysia ("PDRM") and Malaysian Red Crescent Society frontliners (RM120,000)

These contributions helped purchase essential items for ATM, PDRM and RESPONMALAYSIA - COVID 19 frontliners, such as personal protective equipment ("PPE"), face masks and gloves.

Donation to Hospitals (RM55,000)

Donations of PPE, masks and gloves were supplied to Hospital UiTM , Hospital Kuala Pilah, Hospital Sultanah Bahiyah Kedah, Hospital Pulau Pinang, Hospital Queen Elizabeth Sabah, Hospital Umum Sarawak, Hospital Raja Perempuan Zainab II Kelantan and Hospital Sultanah Aminah Johor.

Donation to AIBIM (RM5,000)

We donated through AIBIM to buy essentials for Hospital Sg. Buloh and Hospital Kuala Lumpur.

Donation of Face Shields in Collaboration with Biji-Biji Initiatives (RM5,000)

This was in support of Biji–Biji's initiative to distribute face masks to RELA frontliners at affected areas.

Donation to the Homeless (RM40,750)

Distribution of personal hygiene items to 500 homeless individuals through collaboration with DBKL and SOGO. The programmes were run at the following community centres:

- Pusat Komuniti Ampang Hilir
- Pusat Komuniti Sentul Perdana
- Pusat Komuniti Desa Tasik Setiawangsa
- Pusat Komuniti Bukit Bandaraya
- Pusat Komuniti Bukit Damansara

Donation to Universities (RM34,164)

Food was distributed to university students stranded at hostels during the MCO. The recipient universities were UKM, USIM, UIA GOMBAK, UIA KUANTAN, UITM, UPM, UPNM, UTM KL & UPSI.

Bantuan Erat (RM65,000)

Besides the six-month automatic moratorium, we also provided our badly affected customers with essential items worth RM100 each, as part of the Bank's social obligation to assist our clients in time of need. Every Bank Muamalat branch distributed this Bantuan Erat to 10 needy customers.

Giving Back to Communities

Though events and event sponsorships came to a halt as the number of community engagements were reduced during the year due to the MCO, the Bank continued with our annual Ramadan and Raya celebrations to uplift the disadvantaged and marginalised communities with cheer, donations and festive treats.

Ramadan Visit to Rumah Orang Tua Kuala Kubu Baru (RM40,750)

This is an annual programme conducted by the Bank. To ease the burden of Rumah Ehsan residents, the Bank distributed hampers of daily necessities worth RM100 per person as well as RM50 cash. Items included food, snacks, toiletries, and new bedsheets.

e-Shopping Raya for Anak Yatim (RM54,000)

Raya shopping with orphans has always been an annual event, and is one of the top corporate social responsibility ("CSR") priorities of the Bank. In view of the movement restriction, the Bank initiated an e-shopping raya event for 200 orphans, who each received RM200 worth of Raya shopping vouchers.

Bantuan Raya for Anak Yatim/Asnaf by Region (RM150,000)

The Bantuan Raya programme for FY2020 was distributed by our offices in five (5) regions. Each region was tasked to identify orphanages in their area and given RM30,000 to distribute as cash donations to the asnaf residents.

Prepacked Food for the Media during Ramadan (RM2,000)

As part of our continuous efforts to fortify relationships with members of the media, Bank Muamalat sponsored pre-packed food for on-duty media personnel at Media Prima Berhad ("MPB") during the Ramadhan month. The food was distributed to 150 personnel.

OUR BOARD DIVERSITY

INFORMATION AS AT 31 MAY 2021

A FOCUSED BOARD

DATUK SERI TAJUDDIN ATAN
Independent
Non-Executive Chairman

DATO' SRI CHE KHALIB MOHAMAD NOH
Non-Independent
Non-Executive Director

IWAN RASHMAN GULAMOYDEEN
Non-Independent
Non-Executive Director

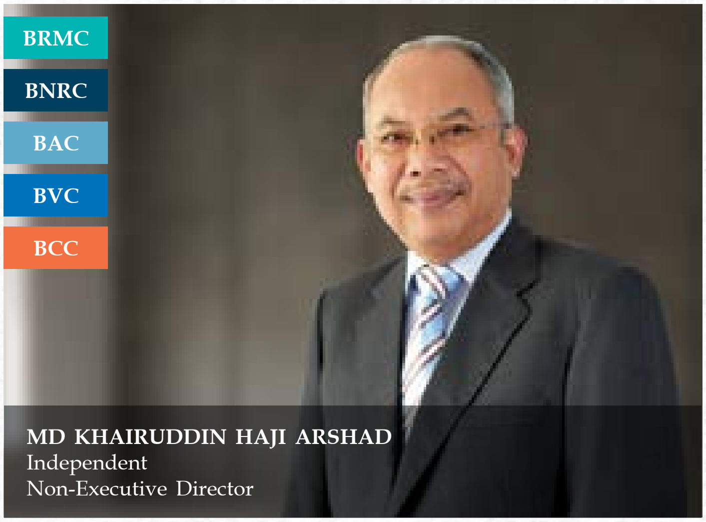
GHAZALI HAJI DARMAN
Independent
Non-Executive Director

JOHARI ABDUL MUID
Independent
Non-Executive Director

LEGEND

BRMC	Board Risk Management Committee
BAC	Board Audit Committee
BNRC	Board Nomination & Remuneration Committee

DATO' IBRAHIM TAIB
Non-Independent
Non-Executive Director



MD KHAIRUDDIN HAJI ARSHAD
Independent
Non-Executive Director

BVC Board Veto Committee

BCC Board Compliance Committee

Board Diversity

The diversity and skills of the Board ensure that Bank Muamalat is steered to deliver growth to all our stakeholders.

Ratio of Non-Independent Directors: Independent Directors

Independent Non-Executive Directors	3
Non-Independent Non-Executive Directors	3
Independent Non-Executive Chairman	1

Length of Tenure

1-5 years: 6

6-10 years: 1

4 Banking/Financial Services

2 Legal

2 IT

4 Risk Management

3 Finance/Accounting

Key Features Of Our Board

- *The Board comprises over 50% Independent Directors*
- *The Chairman is a an Independent Non-Executive Director*
- *The roles of the Chairman and the Chief Executive Officer are distinct*

BOARD OF DIRECTORS' PROFILE

DATUK SERI TAJUDDIN ATAN

62, Male, Malaysian

Independent Non-Executive,
Appointed on 6 May 2020

Chairman of Bank Muamalat,
Appointed on 3 June 2020

Qualifications

- Bachelor of Science (Agribusiness) degree from University Putra Malaysia
- Master of Business Administration from Ohio University
- Honorary Doctorate in Finance by Universiti Putra Malaysia
- Fellow Chartered Banker recognised by Asian Institute of Chartered Bankers ("AICB")

Expertise

- Banking and capital markets (domestic and international)

Experience

- Chief Executive Officer, Bursa Malaysia Berhad (2011 - 2019)
- Managing Director, RHB Bank Berhad and Group Managing Director of RHB Capital Berhad (2009 - 2011)
- President/Group Managing Director, Bank Pembangunan Malaysia Berhad (2007 - 2009)
- Chief Executive Officer, Bank Simpanan Nasional (2004 - 2007)
- Managing Director, Chase Perdana Berhad (2001 - 2004)

Other Directorships & Memberships

- Chairman, MMC Corporation Berhad
- Chairman, Honda Malaysia Sdn Bhd
- Chairman, Asian Institute of Chartered Bankers ("AICB") Disciplinary Panel
- Director, Cagamas Berhad
- Commission Member of Malaysian Communications and Multimedia Commission ("MCMC")

DATO' SRI CHE KHALIB MOHAMAD NOH

56, Male, Malaysian

Non-Independent Non-Executive Director, Appointed on 27 August 2012

Member:
- Board Nomination & Remuneration Committee
- Board Veto Committee

Qualifications
- Member of the Malaysian Institute of Accountants (CA, M)
- Fellow of the Association of Chartered Certified Accountants, United Kingdom (FCCA, UK)

Expertise
- Accounting & Finance

Experience
- Group Managing Director of MMC Corporation Berhad (2013 - Current)
- Chief Operating Officer of Finance, Strategy & Planning, DRB-HICOM Berhad (2012 - 2013)
- President and Chief Executive Officer of Tenaga Nasional Bhd (2004 - 2012)
- Managing Director and CEO, KUB Malaysia Berhad (2002 - 2004)
- Chief Executive Officer, Ranhill Utilities Berhad (1999 - 2002)

Other Directorships & Memberships
- Present
  Director: Gas Malaysia Berhad, Malakoff Corporation Berhad, Johor Port Berhad, MMC Engineering Group Berhad, NCB Holdings Bhd, Aliran Ihsan Resources Berhad, Kontena Nasional Berhad, Northport (Malaysia) Berhad and several private limited companies.
- Past
  Director: Khazanah Nasional Berhad, United Engineers Malaysia Group, Bank Industri & Teknologi Malaysia Berhad.

BOARD OF DIRECTORS' PROFILE

DATO' IBRAHIM TAIB

67, Male, Malaysian

Non-Independent Non-Executive Director,
Appointed on 29 March 2018

Chairman:
- Board Compliance Committee

Member:
- Board Risk Management Committee

Qualifications
- Bachelor of Laws (Honours) degree from the University of Malaya
- Master of Laws from the University of London

Expertise
- Legal & Judicial

Experience
- Deputy Chief Executive Officer (Operations), Employees Provident Fund (1992 - 2014)
- Judge in the Sessions Court, Kota Bharu (1992 - 1992)
- Deputy Public Prosecutor for Selangor, Attorney-General's Chambers (1989 - 1992)
- Legal Advisor, Ministry of Human Resources (1986 - 1989)
- Legal Advisor with the Road Transport Department (1982 - 1986)
- Magistrate in the Magistrate Court (1978 - 1982)

Other Directorships & Memberships
- Present
  Director: DRB-HICOM Berhad
- Past
  Nominee Director (EPF): DRB-HICOM Berhad

IWAN RASHMAN GULAMOYDEEN

42, Male, Malaysian

Non-Independent Non-Executive Director, Appointed on 1 September 2019

Member:
- Board Nomination & Remuneration Committee
- Board Audit Committees

Qualifications
- Bachelor of Laws (LLB) degree from the University of Tasmania
- Admitted to the Malaysian Bar in 2001

Expertise
- Governance, Legal, Risk Management

Experience
- Director with the Legal team, Khazanah Nasional Berhad (2010 - current)
- Risk Management Unit, Khazanah Nasional Berhad (2007 - 2010)
- Enforcement & Listing Division, Securities Commission (2002 - 2007)
- Worked on several iconic IPO exercises, including Astro Malaysia Holdings Bhd and IHH Healthcare Bhd

BOARD OF DIRECTORS' PROFILE

GHAZALI HAJI DARMAN

57, Male, Malaysian

Independent Non-Executive Director,
Appointed on 4 January 2017

Chairman:
- Board Audit Committee

Member:
- Board Nomination & Remuneration Committee
- Board Veto Committee
- Board Compliance Committee
- Board Risk Management Committee

Qualifications

- Bachelor of Arts in Accounting from the University of Canberra, Australia

Expertise

- ICT, IT Security, Finance and Governance

Experience

- Programme Director for large scale IT implementation at public and private sectors
- Adviser to Outsourcing Malaysia, (a chapter of PIKOM, Malaysia's national ICT industry association) (2014 - 2015)
- Commissioner, PT Praisindo Teknologi, Jakarta (2012 - 2015)
- Global Head of Domain for Transportation and System Integration, DHL IT Services (2006 - 2010)
- Partner, Accenture (1986 - 2006)

Other Directorships & Memberships

- Present
  - Putrajaya Holdings Sdn Bhd
- Past
  - Director, Bursa Malaysia Berhad
  - Director, Accenture Solutions Sdn Bhd
  - Director, Accenture Sdn Bhd

MD KHAIRUDDIN HAJI ARSHAD

55, Male, Malaysian

Independent Non-Executive Director, Appointed on 10 September 2019

Chairman:
- Board Risk Management Committee
- Board Nomination & Remuneration Committee

Member:
- Board Audit Committee
- Board Veto Committee
- Board Compliance Committees

Qualifications
- Bachelor's Degree in Accounting from the International Islamic University, Malaysia
- Attended the Oxford Advanced Management and Leadership Program and ICLIF Global Leadership Development Program

Expertise
- Islamic Banking and Finance

Experience
- Chief Operating Officer, Bank Rakyat (2015 - 2017)
- Chief Risk Officer, Bank Rakyat (2013 - 2015)
- Chief Operating Officer, Perbadanan Insurans Deposit Malaysia (2010 - 2013)
- General Manager of Insurance, Risk Assessment and Monitoring, Perbadanan Insurans Deposit Malaysia (2005 - 2009)
- Manager, Bank Negara Malaysia (1999 - 2005)

Other Directorships & Memberships
- Past
  - Member: Malaysian Accounting Standards Board
  - Chairman: International Association of Deposit Insurers ("IADI") Committee on Islamic Deposit Insurance

BOARD OF DIRECTORS' PROFILE

JOHARI ABDUL MUID

64, Male, Malaysian

Independent Non-Executive Director, Appointed on 10 November 2020

Chairman:
- Board Veto Committee

Member:
- Board Nomination & Remuneration Committee
- Board Audit Committee
- Board Risk Management Committee

Qualifications
- Fellow of the Chartered Institute Management Accounting ("CIMA")

Expertise
- Corporate and financial industry encompassing banking, capital markets and social security

Experience
- Chief Executive Officer and Managing Director, RHB Bank Berhad (2011 - 2013)
- Deputy Chief Executive Officer, Employees Provident Fund (2004 - 2011)
- Chief Investment Officer, Valuecap Sdn Bhd (2003 - 2004)
- Senior Vice President-Institutional Sales, CIMB Securities Sdn Bhd (1994 - 2003)
- Head-Treasury Division, Commerce International Merchant Bankers Bhd (1983 - 1994)

Other Directorships & Memberships
- Present
  Director: Protect Health Corporation Berhad, Nomura Asset Management Malaysia Berhad, Nomura Islamic Assets Management Malaysia Berhad
- Past
  - Director: Al Rajhi Banking & Investment Corporation (Malaysia) Bhd, Bursa Malaysia Berhad, Malaysia Debt Ventures Berhad, RHB Capital Berhad, RHB Investment Berhad, RHB Islamic Berhad, and Iskandar Investment Berhad
  - Member: Investment Panel of Kumpulan Wang Amanah Pencen

SHARIAH COMMITTEE PROFILE

The Shariah Committee has the responsibility to provide objective and sound advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:

- Providing a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council of Bank Negara Malaysia ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
- Providing a decision or advice on matters which require a reference to be made to the SAC;
- Providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;
- Deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
- Endorsing a rectification measure to address a Shariah non-compliance event.

Other Current Positions
- Senior Lecturer, Islamic Studies Academy, University of Malaya
- Shariah Advisor, Association of Islamic Banking Institutions Malaysia ("AIBIM")
- Member, Shariah Committee, Agrobank

Qualifications
- Master in Economics, International Islamic University of Malaysia ("IIUM")
- Bachelor in Shariah, University Malaya

Relevant Working Experience
- Lecturer, Islamic Studies Academy, University of Malaya

SHARIAH COMMITTEE PROFILE

DR. MOHD SHAHID MOHD NOH

38, Male, Malaysian

Alternate Chairman, Shariah Committee
Joined: 1 April 2019

Qualifications

- PhD in Faculty of Economy and Muamalat, Malaysia Islamic Science University
- Master in Business Administration (Muamalah), Selangor Islamic College University ("KUIS")
- Master in Islamic Financial Practice ("MIFP"), INCEIF
- Bachelor of Art in Qiraat Specialisation, Maahad Qiraat Shoubra Al-Azhar, Egypt

Relevant Work Experience

- Lecturer, Academy of Islamic Studies, University of Malaya

Other Current Positions

- Senior Lecturer, Academy of Islamic Studies, University of Malaya
- Imam, Masjid Al-Ghufran, Pinggir Taman Tun Dr. Ismail
- Director, Iqra Foundation (Training and Consultancy)

DR. YUSRI MOHAMAD

48, Male, Malaysian

Member, Shariah Committee
Joined: 1 April 2019

Qualification

- PhD in Islamic Jurisprudence, International Islamic University of Malaysia ("IIUM")
- Masters in Law (LLM), The School of Oriental and African Studies ("SOAS"), University of London
- Bachelor of Laws (LLB) (Shariah), IIUM
- Bachelor of Laws (LLB), IIUM
- Diploma in Shariah Law and Practice, IIUM

Relevant Experience

- Former Assistant Professor, Ahmad Ibrahim Kulliyyah of Laws, IIUM
- Former President, Yayasan Dakwah Islamiah Malaysia ("YADIM")
- Former Shariah Committee, Kenanga Investment Bank Berhad
- Former Partner, Wajdi Mohamad Yusri & Co

Other Current Positions

- Member, Islamic Religious Council of the Federal Territory, Malaysia
- Member, Board of Director & Shariah Committee, Zurich Takaful Berhad

ASSOC. PROF. DR. MOHAMAD SABRI BIN HARON

56, Male, Malaysian

Member, Shariah Committee
Joined: December 2003

Other Current Positions
- Associate Professor, Pusat Citra Universiti, Universiti Kebangsaan Malaysia
- Senior Fellow, The Institute of Malaysian and International Studies ("IKMAS")
- Senior Fellow, The Institute of Islam Hadhari
- Chairman, Shariah Committee, Apex Investment Services Berhad (Islamic Fund)
- Chairman, Shariah Committee, Koperasi ANGKASA
- Member, Shariah Committee, Koperasi Pos Nasional ("KOPONAS")
- Member, Shariah Committee, Koperasi Universiti Kebangsaan Malaysia ("Koperasi UNIKEB")
- Sahibus Samahah Dato' Mufti Negeri Terengganu (seconded)

Qualifications
- PhD in Islamic Law (Fiqh and Usul Fiqh) from University of Jordan
- Master in Comparative Law from International Islamic University of Malaysia
- Bachelor in Islamic Studies (al-Quran and al-Sunnah), Universiti Kebangsaan Malaysia
- Diploma in Islamic Studies, Kolej Sultan Zainal Abidin, Malaysia

Relevant Work Experience
- Former Senior Manager in Islamic Capital Market, Securities Commission

DR. WAN MARHAINI WAN AHMAD

49, Female, Malaysian

Member, Shariah Committee
Joined: 1 April 2012

Other Current Positions
- Member, Shariah Committee
- Senior Lecturer, Finance and Banking Department, University of Malaya

Qualifications
- PhD in Islamic Finance, University of Edinburgh, United Kingdom
- Master in Economics, International Islamic University of Malaysia
- Bachelor in Shariah, University of Malaya

Relevant Work Experience
- Former Member, Shariah Committee, EONCAP Islamic Bank
- Lecturer, Finance and Banking Department, University of Malaya

SENIOR MANAGEMENT

ZURY RAHIMEE ZAINAL ABIDEN

Head of Consumer Banking Division

NOR HAMIDAH ABU BAKAR

Head of Business Banking Division

KHAIRUL KAMARUDIN

Chief Executive Officer

AMIREZA MOHD KHALID

Acting Head of Treasury and Capital Markets Division

AZIM SELVA ABDULLAH

Chief Risk Officer

MOHAMED REZWAN ABDULLAH ISMAIL

Chief Credit Officer

MOHAMAD MUHSIN MOHD ANAS

Chief Compliance Officer

NOOR HAYATI ABU YAZIZ

Chief Internal Auditor

MOHD IZUWAN MAHYUDIN

Head of Shariah Division

MOHAMMAD FAIRUZ MOHD RADI

Chief Strategy Officer

HAFNI MOHD SAID

Head of Finance Division

SENIOR MANAGEMENT

MUHAMAD RADZUAN AB RAHMAN

Acting Head of Operations Division

AZLIZA ABDUL RAHMAN

Head of Human Capital Division

Ts. MEGAT MOHAMMAD FAISAL KHIR JOHARI

Acting Chief Technology Officer

NUR AZRINA ABDUL SAMAD

Head of Group Legal & Secretarial Division

SENIOR MANAGEMENT PROFILE

KHAIRUL KAMARUDIN

Chief Executive Officer

Joined: 7 February 2019
Appointed to present position: 1 November 2019

Key Responsibility

The public face of the Bank, responsible for the implementation and achievement of the Bank's current and future strategic direction set by the Board. Ensures delivery of strategic and operational key performance results and outcomes across the Bank. Accountable for developing new business opportunities and sustaining valuable relationships with stakeholders to ensure the Bank's continuous expansion and business growth

Qualifications

- Member, The Association of Chartered Islamic Finance Professionals, Malaysia
- LLB (Hons), Anglia Ruskin University, United Kingdom

Experience

- Deputy Chief Executive Officer, Bank Muamalat
- Chief Executive Officer, Bank Islam
- Chairman, BIMB Investment Management Berhad
- Pengurusan Danaharta Nasional Berhad
- PriceWaterHouseCoopers, Malaysia

ZURY RAHIMEE ZAINAL ABIDEN

Head of Consumer Banking Division

Joined: 22 April 2019

Key Responsibility

Planning, monitoring, coordinating, and managing Consumer Banking activities as well as overseeing the development and expansion of consumer financing assets, SME banking and fee-based activities. Embedding risk and compliance culture within the division while formulating and implementing strategic plans, new product research and development, staff up-skilling and performance management

Qualifications

- Bachelor's degree with Honours in Marketing from Institut Teknologi MARA (now known as UiTM)

Experience

- Head, Deposit & Cash Management Division, Bank Islam
- Assistant General Manager, Consumer Banking Division of Bank Islam

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NOR HAMIDAH ABU BAKAR

Head of Business Banking Division

Joined: 25 August 2010
Appointed to present position: 1 August 2015

Key Responsibility

Oversees Corporate Banking, Regional & Commercial Banking, Business Development & Strategic Liaisons, Investment Banking, Trade Finance, Musyarakah Property Investment, and Project Financing Monitoring

Qualifications

- Executive Masters in Management, Asia Metropolitan University, Malaysia
- Bachelor of Economics, International Islamic University, Malaysia ("IIUM")

Experience

- Corporate Banking Division, RHB Bank

SENIOR MANAGEMENT PROFILE

AMIREZA MOHD KHALID

Acting Head of Treasury and Capital Markets Division

Joined: 16 April 2013
Appointed to present position: 18 September 2020

Key Responsibility

Manages and oversees the operations of Treasury and Capital Markets Division which encompasses Money Market, Foreign Exchange ("Forex") management, Fixed Income both trade and sales, and Forex Sales

Qualifications

- Active member and licensed dealer, Financial Market Association Malaysia
- Advanced Diploma in Accountancy, Institut Teknologi MARA (now known as UiTM)

Experience

- Head, Fixed Income, Bank Muamalat
- Senior dealer, Global Market Division, Maybank
- Treasury Division, Mayban Finance

AZIM SELVA ABDULLAH

Chief Risk Officer

Joined: 25 September 2014
Appointed to present position: 1 September 2017

Key Responsibility

A member of the Management Committee, Executive Risk Management Committee, Investment Committee, Management Audit Committee and Asset-Liability Committee ("ALCO"). Also a permanent invitee/ attendee of the Board Management, Board Risk Management Committee, Board Audit Committee and Credit Committee

Qualifications

- Admitted as an Advocate and Solicitor in both the High Courts of Malaya and New Zealand
- Masters in Law, University of Bristol, United Kingdom
- LLB (Hons) University of Leicester, England

Experience

- Senior Vice President, Management Office, Bank Muamalat
- Acting Head of Corporate Investment Banking Division, Bank Islam

MOHAMED REZWAN ABDULLAH ISMAIL

Chief Credit Officer

Joined: 15 July 2020

Key Responsibility

Manage credit risk in financing activities as well as portfolio management to ensure the Bank's risk taking activities are consistent with the Bank's risk appetite. Initiate, develop and implement appropriate financing and credit risk policies

Qualifications

- BA Accounting, Michigan State University

Experience

- Chief Risk & Compliance Officer, Lembaga Urusan Tabung Haji
- Director, Financial Conglomerates Supervision, Bank Negara Malaysia

MOHAMAD MUHSIN MOHD ANAS

Chief Compliance Officer

Joined: 15 May 2019

Key Responsibility

Oversee the Regulatory Advisory & Compliance Division, functioning as an independent party that reviews, evaluates and administer corrective action on compliance issues and concerns within the Bank

Qualifications

- Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer ("CAMCO"), AICB
- Bachelor of Science (Hons) in Accounting and Financial Analysis, The University of Warwick, UK

Experience

- Director, Internal Audit Department, Bank Negara Malaysia
- Deputy Director in Banking Supervision Department, Bank Negara Malaysia
- Project Manager in Bumiputra Rehabilitation Fund Unit, Bank Negara Malaysia
- Bank Supervisor, Bank Negara Malaysia

NOOR HAYATI ABU YAZIZ

Chief Internal Auditor

Joined: October 2010
Appointed to present position: 1 September 2016

Key Responsibility

Provide independent and objective assurance on the effectiveness of internal controls and governance, and consulting services and lead the overall direction and leadership of the internal audit function for the Bank

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professional
- Certified System Investigator
- Bachelor in Finance, Michigan State University
- Diploma in Banking, Institut Teknologi MARA (now known as UiTM)

Experience

- Head of Business Process and Transformation, Bank Muamalat
- Head of Service Performance, CIMB Aviva
- Head of Operations, Insurance Centre of Excellence, HSBC

MOHD IZUWAN MAHYUDIN

Head of Shariah Division

Joined: 15 December 2008
Appointed to present position: 27 July 2020

Key Responsibility

Responsible for managing the Bank's Shariah Committee and performing the secretariat function. Provides Shariah advisory and consultancy function to the Board and Management. Provides expert inputs and materials on research, advisory and training development on all Shariah matters in the Bank

Qualifications

- Chartered Professional in Islamic Finance of the Chartered Institute of Islamic Finance
- Certified Training Professional by Financial Accreditation Agency
- Master of Shariah (with Distinction), University of Malaya
- Bachelor of Islamic Revealed Knowledge and Heritage (Fiqh & Usul Fiqh) degree, International Islamic University, Malaysia ("IIUM")
- Executive Diploma in Advance Management, DRB-Hicom University

Experience

- Secretary of Shariah Committee, Bank Muamalat
- Head of Advisory and Secretariat Section, Bank Muamalat
- Head of Shariah Compliance and Review Section, Bank Muamalat
- Head of Shariah Training and Awareness Section, Bank Muamalat
- Acting Head of Product Development and Innovation, Bank Muamalat

SENIOR MANAGEMENT PROFILE

MOHAMMAD FAIRUZ MOHD RADI

Chief Strategy Officer

Joined: 1 December 2020

Key Responsibility

Drive Corporate Strategy, Strategic Investment including Corporate Finance and Transformation for the Bank. Other roles include leading the Product Development, Customer Service and Business Process Re-engineering centralised functions for the Bank

Qualifications

- Master of Science in Technologies for Broadband Communication, University College London
- Bachelor of Science in Electrical Engineering, Pennsylvania State University, USA (Graduated with Dean's Honours List)

Experience

- Chief Strategy Officer for Sime Darby Property
- Head of Strategy for Community Financial Services (Consumer Banking), Maybank
- Chief Strategy Officer and Head of CEO's Office for Maybank Kim Eng

HAFNI MOHD SAID

Head of Finance Division

Joined: 1 June 2010
Appointed to present position: 10 October 2014

Key Responsibility

Manage the overall finance functions of Bank Muamalat and its subsidiary companies. Treasury Processing & Settlement Department, Data Management Department, and Procurement Department are also functions that report to Finance Division. In addition, Head of Finance Division assumes the roles of Head of Reporting and Chief Data Officer for Bank Muamalat.

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals
- Master of Business Administration (Finance), Universiti Putra Malaysia
- Certified Credit Professional, Institute of Bankers Malaysia
- Bachelor of Commerce (Accounting), Dalhousie University, Halifax, Nova Scotia, Canada

Experience

- Head of Internal Audit Department, Bank Muamalat
- Head of Islamic Banking & Subsidiaries Audit Department, RHB Bank

MUHAMAD RADZUAN AB RAHMAN

Acting Head of Operations Division

Joined: 13 February 2006
Appointed to present position: 1 January 2021

Key Responsibility

Oversees daily bank-wide operations and implements goals for performance and growth within the scope of operations. Ensures that operations' strategies, plans and procedures are implemented in accordance with strategic business plans. Ensures continuous improvements of internal and external operational processes.

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals
- Certified Credit Professional (Consumer), IBBM
- Master in Business Administration, National University of Malaysia
- Bachelor of Business Administration in Management, West Texas A&M University, USA

Experience

- Head of Credit Management Division, Bank Muamalat
- Head of Retail Approving Centre, Bank Muamalat
- Head of Financing Supervision and Rehabilitation, Bank Muamalat
- Credit Manager (Mortgage Approval Team Leader), Credit Approval Centre of Southern Bank

AZLIZA ABDUL RAHMAN

Head of Human Capital Division

Joined: 1 June 2016

Key Responsibility

Provides leadership and strategic direction on overall Human Capital functions specifically in the areas of succession planning, talent management, change management, organisational and performance management, training and development, rewards and remuneration

Qualifications

- Master of Arts in Human Resource Management, University of Hull, United Kingdom
- Advanced Diploma in Business Administration (Transport), Institut Teknologi MARA (now known as UiTM)

Experience

- Group Head of Human Capital, Kuala Lumpur Airport Services Group (now known as Pos Aviation Sdn Bhd), a subsidiary of DRB-HICOM
- General Manager of Human Capital, DRB-HICOM Group
- Assistant General Manager, HR & Administration, Uni Asia Life Assurance Berhad
- Head, Human Resources & Administration, Uni Asia Life Assurance Berhad

Ts. MEGAT MOHAMMAD FAISAL KHIR JOHARI

Acting Chief Technology Officer

Joined: 3 August 2020
Appointed to present position: 9 April 2021

Key Responsibility

Formulate appropriate policies for the effective implementation of technology risk management framework and cyber resilience framework and enforce compliance with these policies, frameworks and other technology-related regulatory requirements

Qualifications

- Professional Technologist in Cyber Security Technology, Malaysia Board of Technologist
- Bachelor of Commerce (Accountancy), The University of Queensland

Experience

- Chief Information Security Officer, Bank Muamalat
- Former Partner of Deloitte Risk Advisory and Deloitte Asia Pacific Risk Advisory Leader for Oil, Gas & Chemical

NUR AZRINA ABDUL SAMAD

Head of Group Legal & Secretarial Division

Joined: 16 February 2012
Appointed to present position: 24 August 2020

Key Responsibility

Supervise both Legal and Corporate Secretarial Departments, and render sound legal advice to the Bank and its subsidiaries. Safeguard the interests of the Bank in the management of legal risks, objectives and business plans. Manage secretarial matters

Qualifications

- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals
- Associate member of Malaysian Association of Company Secretaries
- Admitted to practice in the High Courts of Malaya
- MBA, University of New England, Australia
- LLB (Hons), International Islamic University, Malaysia (“IIUM”)

Experience

- Head of Legal, SME Bank
- Head of Corporate Secretarial, Kuwait Finance House

COMMITTED TO STRONG GOVERNANCE

Bank Muamalat Malaysia Berhad ("Bank Muamalat") is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the Group's business.

The Board recognises the vital importance of a sound governance culture to the continued success of the Group. Our core values underpin our governance culture and emphasise the behaviours that will enable the Bank to continue to succeed in what we do. The governance framework is designed to ensure that the Board, led by the Chairman, is able to monitor the sustainability of the business model, performance against strategy and opportunities and threats as they arise. When reviewing performance against strategy, the Board looks to ensure it continues to align with the Group's culture and delivers long-term success to the Group and its stakeholders.

OUR GOVERNANCE FRAMEWORK

Our governance framework takes guidance from: Companies Act 2016 ("CA 2016"), Islamic Financial Services Act 2013 ("IFSA 2013"), BNM Policy Document on Corporate Governance ("BNM CG"), Malaysian Code on Corporate Governance ("MCCG 2017") and other relevant requirements as outlined under the respective guidelines by BNM.

Please refer to the table on the side

The composition of the Board Committees, in particular the BNRC, BAC, BRMC and BVC complies with the following requirements of the BNM CG:

- Minimum of/at least three (3) Directors
- Chaired by an Independent Director
- Comprise a majority of Independent Directors
- The Chairman of the Board does not chair any of the Board Committees
- Comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the respective Board Committees

GOVERNANCE STRUCTURE

Shareholders → Board of Directors → Board Committees and Shariah Committee → CEO → Management Team

Strategy

Capital and Finance

BOARD OF DIRECTORS

Source of Authority/Roles and Responsibilities specified in:

Board Nomination & Remuneration Committee ("BNRC")
Provides a formal and transparent procedure for the appointment and remuneration of directors, CEO and members of Shariah Committee as well as assessment of effectiveness of the Board as a whole, Shariah Committee members and performance of CEO and key senior management officers.

The BNRC focuses on reviewing and recommending:

- The appointment and re-appointment of Independent and Non-Independent Non-Executive Directors.
- The appointment and re-appointment of Shariah Committee members
- The revised composition of the Board Committees.
- The new appointment/renewal/revision of the contract of service of Senior Management and their remunerations.

CHIEF EXECUTIVE OFFICER ("CEO")

The key responsibilities of the CEO:

Managing day-to-day business operations in line with the strategy and key performance indicators set by the Board.

MANAGEMENT COMMITTEES

Management Committee helps the CEO

- Set performance targets

BOARD RESERVED MATTERS

Terms of Reference

Delegation of Authority

Appointments

Contracts and Transactions

Disclosures

Meetings

Legal

- Board Charter
- Bank's Constitution
- Terms of References of each of the Board Committee

- Companies Act 2016
- IFSA 2013
- BNM Policy Documents and other applicable regulatory requirements

BOARD COMMITTEES

- The annual Corporate Scorecard and KPI's for Senior Management and their respective performance and reward.
- The remuneration of the non-Executive Directors.

Board Audit Committee ("BAC")
Ensures the adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations.

Board Risk Management Committee ("BRMC")
Oversees Management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning.

Board Veto Committee ("BVC")
Reviews financing and/or investment proposals approved by the Credit Committee ("CC") based on the limits determined by the Board. In the event of modification of the terms and conditions, the appeal has to be reverted to the Board Veto Committee.

Board Compliance Committee ("BCC")
Provides oversight and advice on the management of compliance risk; evaluate the effectiveness of the overall management of compliance risk with regard to the assessment of senior management and internal audit as well as the Regulatory Advisory and Compliance Division; recommends improvements needed to the Board; and assesses emerging AML/CFT concerns.

SHARIAH COMMITTEE ("SC")

Advises the Board and Management, including the Bank's subsidiaries and provides input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times. Endorses Shariah policies and procedures prepared by the Bank and ensures that the contents do not contain any elements which are not in line with Shariah. Ensures that the products of the Bank comply with Shariah principles.

Further details on Shariah Committee can be found on pages 137 to 141 of the Annual Report.

Limits of Authority Manual sets out authorisation limits for CEO, Management Committees, Management and matters requiring Board/Board Committee's review/ approval

- Develops the strategic direction of the Bank;
- Ensures that the Bank's strategies and corporate policies are effectively implemented;
- Ensures that the Board decisions are implemented and Board directions are responded to;
- Provides directions in the implementation of short and long-term business plans;
- Provides strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees;
- Keeps the Board fully informed of all important aspects of the Bank's operations and ensuring sufficient information is distributed to Board members; and
- Ensures the day-to-day business affairs of the Bank are effectively managed.

- Monitor key objectives and commercial plans to help achieve the Group's targets
- Implement Group strategy
- Evaluate new business initiatives and opportunities

COMMITTED TO STRONG GOVERNANCE

ATTENDANCE OF BOARD AND BOARD COMMITTEE MEETINGS DURING FY2020

Name of Directors	Board	BNRC
Chairman/Independent Non-Executive Director		
Tan Sri Dato' Dr Mohd Munir Abdul Majid (TSM)	6/6 [23]	
Datuk Seri Tajuddin Atan (DSTA)	9/9 [24]	
Non-Independent Non-Executive Director		
Dato' Sri Che Khalib Mohamad Noh (DSCK)	13/14	13/13
Dato' Ibrahim Taib (DIT) ●	14/14	
Iwan Rashman Gulamoydeen	14/14	13/13
Independent Non-Executive Director		
Ghazali Hj Darman (GD) ●	14/14	11/11 [5]
Md Khairuddin Hj Arshad (KA) ●●●	14/14	2/2 [6]
Johari Abdul Muid (JM) ●	4/4 [1]	2/2 [7]
Dato' Hj Kamil Khalid Ariff (DKA)	9/9 [2]	9/9 [8]
Dr Azura Othman (DAO)	9/9 [3]	11/11 [9]
Dato' Haji Che Pee Samsudin (DCP)	2/2 [4]	2/2 [10]

● BNRC Chairman ● BRMC Chairman ● BCC Chairman
● BAC Chairman ● BVC Chairman ● BITC Chairman

[1] *JM was appointed as Director on 10 November 2020*
[2] *DKA resigned as Director on 28 September 2020*
[3] *DAO ceased to be Director on 30 September 2020*
[4] *DCP resigned as Director on 28 March 2020*
[5] *GD became member of BNRC on 30 March 2020*
[6] *KA became member and Chairman of BNRC on 15 October 2020*
[7] *JM became member of BNRC on 16 November 2020*
[8] *DKA ceased to be member of BNRC on 28 September 2020*
[9] *DAO ceased to be member and Chairman of BNRC on 30 September 2020*
[10] *DCP ceased to be member of BNRC on 28 March 2020*
[11] *KA became member of BAC on 15 October 2020*
[12] *JM became member of BAC on 16 November 2020*
[13] *DKA became member of BAC on 30 November 2011, and ceased to be member of BAC on 28 September 2020*
[14] *DAO ceased to be member and Chairman of BAC on 30 September 2020*
[15] *DCP ceased to be member and Chairman of BAC on 28 March 2020*
[16] *DIT ceased to be member of BRMC on 15 October 2020*
[17] *JM became member of BRMC on 16 November 2020*
[18] *GD became member of BRMC on 15 October 2020*
[19] *DAO ceased to be member of BRMC on 30 September 2020*
[20] *DCP ceased to be member of BRMC on 28 March 2020*
[21] *JM became member and Chairman of BVC on 16 November 2020*
[22] *DKA resigned as member of BVC on 28 September 2020*
[23] *TSM resigned as Director and Chairman on 3 June 2020*
[24] *DSTA was appointed as Director on 6 May 2020*

BAC	BRMC	BVC	BCC	BITC This Committee was disbanded on October 2020
13/13	8/8 [16]	9/10	5/5	5/5
13/13 2/2 [11] 1/1 [12] 9/9 [13] 11/11 [14] 2/2 [15]	2/2 [17] 10/10 1/1 [18] 8/8 [19] 2/2 [20]	10/10 10/10 1/1 [21] 10/10 [22]	5/5 5/5	5/5 5/5

BOARD LEADERSHIP AND EFFECTIVENESS

BOARD CHARTER AND BOARD RESPONSIBILITIES

The Board Charter formalises the various roles and responsibilities of the Board, Board Committees and individual Director of the Bank with the aim of streamlining and enhancing corporate governance practices towards transparency, accountability and integrity in boardroom activities. **The Board Charter can be found on our website at https://www.muamalat.com.my/Board-Directors/Board-Charter-v2.0.pdf**

Specific responsibilities of the Board are delegated to the Board Committees. The Board Committees operating with their respective chairpersons and members to facilitate the Board's efficiencies in getting the specific attention, scope and in accordance with clearly defined Terms of Reference ("TOR") of each of the Committees. The Board as a whole retains collective responsibility for decisions on recommendations made by Committees.

ROLES AND RESPONSIBILITIES OF THE CHAIRMAN AND CEO

The roles of the Chairman and CEO are clearly separated, and the Chairman was not previously a CEO of the Bank. The Chairman is responsible for providing significant leadership to the Board to facilitate the Board in carrying out its responsibilities effectively while the CEO, is primarily responsible for the management of day-to-day business operations in line with the strategy and key performance indicators set by the Board.

The detailed roles and responsibilities of the Chairman and CEO can be found in the Board Charter.

BOARD RESERVED MATTERS

The following summarises the list of Matters Reserved for the Board's deliberation and decision:

- Strategic decisions which are, or may be significant, in terms of future profitability of the Bank.
- Decisions on significant/material matters on capital and finance.
- Adoption/changes to the Constitution or terms of reference of Board/Board Committees.
- Decision in relation to delegation of authority.
- Decision on appointments and removal of any member of the Board, or the company secretary, or the senior management, a director from the Chairmanship of the Board and external auditors or other professional advisors.
- Significant and/or connected party contracts and transactions or contract that involves conflict of Director's personal interest.
- Disclosure on financial information/reports for publication as well as presentation to Shareholders or disclosure on material information that may affect the image of the Bank.
- Policy governing the Board Meetings.
- Payment by the Bank arising out of legal dispute/legal settlement exceeding RM100,000.

Further details on Board Reserved Matters can be found in the Board Charter.

BOARD EFFECTIVENESS EVALUATION

The Board Effectiveness Evaluation ("BEE") is carried out annually as required by BNM Policy Document on Corporate Governance ("BNM PD on CG") and recommended by Malaysian Code on Corporate Governance ("MCCG") 2017. The Chairman of BNRC oversaw the overall evaluation process while the responses may be reviewed and analysed by the BNRC, before the assessment results tabled and communicated to the Board.

In line with the recommendation in the BNM PD on CG, the Board had appointed external independent third party to conduct the BEE for the year 2020. As required by the BNM PD on Shariah Governance, the 2020 BEE has also included assessment on Shariah Committee members.

The 2020 BEE questionnaires designed and embedded the following categories of the assessments:

- Board Assessment to assess amongst others, the Board's structure, size, composition (mix of skills, experience and competency), quality of information, deliberation and decision making including how Directors challenge matters discussed.

- Individual Directors' Assessment (including Independent Directors) to assess amongst others, the respective Directors' ability to critically challenge and ask the right questions, character and integrity in dealing with potential conflict of interest situations, commitment to serve the Bank with due diligence and integrity, critical and vigilant in offering alternative points of view, fit and properness and independence of the Independent Directors including level of independence in exercising his/her judgement and ability to act in the best interest of the Bank.

- Board Skill Set Assessment to assess amongst others, the Board's leadership and strategy, legal and regulatory requirements, banking and finance, corporate governance, Shariah governance, risk management and internal controls, accounting and financial reporting and operational management.

- Board Committee Effectiveness Assessment (including Shariah Committee) to assess amongst others, the Committee's Structure (size, composition and member classification), quality of information, deliberation and decision making including how members challenge matters discussed, accountability and responsibilities and effectiveness of the Board Committee including its terms of reference, processes and reporting line.

- Individual Board Committee Members' Assessment (including Shariah Committee) to assess amongst others, the Committees' dynamics and participation and Fit and Proper criteria.

INDUCTION AND SUCCESSION PLANNING

A proper on-boarding programme has been established to ease new Directors into their new role and to assist them in understanding the environment the Bank operates in, the Bank's business strategy and operations. On appointment to the Board, every Director will need to attend an induction programme which is tailored to the new Director's requirement.

The programme includes site visit to the nearest branch and meeting with Senior Management as appropriate, to enable them to have a full understanding of the nature of the Bank's businesses, current issues and challenges as well as the structure and management of the Bank. The said session will be organised as soon as practicable not later than three (3) months upon the appointment of the Director.

All new Directors are required to attend the programme or other similar sessions that may help him/her achieve the intended outcome once appointed. The Company Secretary also facilitates the induction of newly appointed Directors.

The BNRC is responsible for developing succession plans and identifying and recommending candidates for the Board to ensure that the Board is made up of Directors with appropriate skills, experience, expertise and diversity. The BNRC also oversees the appointment and succession planning for key Senior Management.

BOARD COMMITTEES

There are six (6) Board Committees established by the Board; the Board Audit Committee, Board Risk Management Committee, Board Nomination and Remuneration Committee, Board Compliance Committee, Board IT Committee (disbanded in October 2020) and Board Veto Committee. These Committees play a significant role in reviewing matters within their respective Terms of Reference and support the Board's discharge of its duties and responsibilities, and in keeping the Board efficient. Each of the Committees have specific Terms of Reference, scope and authority to review matters tabled before the Committee prior to decision-making by the Board as a whole. Membership of these Committees is reviewed as and when required, with specific emphasis on updates in governance requirements and efficiency of the Committees.

All Committees comprise a minimum of/at least three (3) Non-Executive Directors; a majority of whom are Independent; and comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the respective Board Committees.

Save for the Board Compliance Committee, all Committees are chaired by Independent Directors. The Chairman of the Board does not chair any of the Board Committees.

BOARD LEADERSHIP AND EFFECTIVENESS

APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The Bank is governed by the BNM PD on CG in respect of the appointment of new Directors and the re-appointment of the existing Directors upon the expiry of their respective tenures of office as approved by BNM. All appointments and re-appointment of Directors are subject to the approval by BNM.

The primary responsibility of assessing the candidate for new appointment or existing Directors for re-appointment has been delegated to the BNRC. The BNRC also ensures that every candidate/Director satisfies the relevant requirements on the skills and core competencies of a director and are deemed fit and proper to be appointed/ re-appointed as Director in accordance with the Fit and Proper criteria as prescribed by BNM. BNRC will next recommend the appointment of the candidate as Director for approval by the Board.

RE-ELECTION OF DIRECTORS AND TENURE OF INDEPENDENT DIRECTORS

In accordance with the Bank's Constitution, all Directors are subject to retirement by rotation at due intervals. The eligible Directors may offer themselves for re-election at the Annual General Meeting ("AGM"), a process that enables the Shareholders to vote them back into office.

Directors who are appointed as additional Directors or to fill casual vacancies during the year are subject to re-election by the Shareholders at the next AGM following their appointment.

The tenure of an Independent Director is capped at nine (9) years and the nine (9) years can either be a consecutive service of nine (9) years or a cumulative service of nine (9) years with intervals or upon expiry of the prevailing term as approved by BNM, whichever is the later date.

> During the year 2020, the tenure of office of Dato' Kamil Khalid Ariff as Independent Director of the Bank ended on 28 September 2020 and he was not re-appointed as Director of the Bank given that his Independent tenure already reached nine (9) years.

BOARD PROCESS

The Board meets every month with additional meetings convened as and when urgent issues and/or important decisions are required to be made between the scheduled meetings. Scheduled Board meetings are structured with certain pre-set agendas.

At each meeting, the Board receives updates from the respective Chairmen/ representatives of the Board Committees on matters that have been deliberated at the Board Committees, as well as on matters that require the Board's attention.

> During the meeting held in 2020, the CEO and Head of Business, Operations, Support and Control functions gave an update on the Bank's business and operations, regulatory and compliance updates as well as a macro perspective on industry trends and developments.

As protocol, the Head of Finance Division presents the financial performance and significant financial highlights. Other Heads of Division and external advisers may be invited to attend the meeting to advise the Board on certain matters under discussion. Directors will have the opportunity to discuss specific areas with them and where relevant, challenge the ideas presented. All important deliberations, decisions and conclusions are recorded in the Board meetings' minutes.

Outside Board meetings, Board approvals for matters in the ordinary course of business can be obtained through written resolutions. Ad-hoc meetings are held when necessary. Directors have direct access to Senior Management and may request for additional information from them. Directors have access to the Company Secretary at all times. The Company Secretary attends all meetings, generally assisting Directors in the discharge of their duties and facilitates communication between the Board, the Board Committees and the Management.

MEETINGS AND ACCESS TO INFORMATION

Directors are given due notice of the proposed meetings, allowing Directors to lock in their timings, and for advance planning. The detailed Agendas and the detailed Board/Committee meeting materials were shared and uploaded electronically prior to Board/Board Committees meetings.

Working in the new normal requires agility in adopting digital channels and technology. These were implemented successfully during the year. Directors participated in Board and Committee meetings via virtual platforms such as Zoom or Teams during the MCO. Minutes of meetings, together with a summary of the action items were circulated to all members of the Board prior to meetings.

ETHICAL BUSINESS CONDUCT AND WHISTLE BLOWING

The Board promotes good corporate governance culture to ensure that the Bank conducts its business with integrity, in an ethical and transparent manner.

To this end, the Board has established the Code of Business Conduct ("CoBC"). The CoBC sets out the conduct expected of all Directors, employees and third parties doing business with the Bank. The CoBC outlines, inter alia, the Bank's procedures relating to non-discrimination, whistleblowing, the Bank's assets and properties, confidential information, personal data protection, insider trading, fraud, conflict of interests, bribery and anti-corruption. The Bank's Directors and employees affirm their commitment to the CoBC.

The CoBC has recently been enhanced to include fundamental principles on Competence, Integrity, Fairness, Confidentiality and Objectivity which shall be consistently applied across the Bank. This is to align the CoBC with the requirement of Professional Code for the financial services industry developed by FSPB; relevant points in mitigating rapid changes resulting from Industrial Revolution 4.0 (IT devices utilisation, social media usages and cyber security); and new items from relevant Acts, regulatory requirements and Guidelines amongst others, the Adequate Procedures in relation to Corporate Liability sub-Section to subsection (5) of Section 17A, Malaysian Anti-Corruption Commission ("MACC") Act 2009.

The Bank has zero tolerance for any conduct that constitutes a wrongdoing or malpractice which may include any breach of ethics as described in the CoBC, conflict of interests, bribery and corruption, anti-money laundering/combating the financing terrorism, and/or any fraudulent act as may be described in the Bank's Anti Bribery Code system and other relevant documents.

In light of the requirements stipulated under the BNM PD on CG and the Companies Act 2016, the Bank's Whistleblowing Policy, established by the Board provides a secure reporting avenue via the Ethics Hotline for employees and third parties, who have knowledge or are aware of any improper conduct or unethical behaviour including suspected fraud, bribery, corruption and criminal activity.

Any malpractice or misconduct is raised to Internal Audit Division through the dedicated channels mentioned above. The whistle-blower's identity remains anonymous, ensuring protection from reprisal.

TRAINING AND DEVELOPMENT OF DIRECTORS

The Board ensures that its members have ongoing access to appropriate continuing education programmes and a reasonable budget has been allocated for the programme. Directors are encouraged to attend talks, briefings, workshops and utilise online learning tools, reading materials and trainings on areas that would benefit them in their roles and responsibilities.

All Directors of the Bank are required to register for the Director's Core Training Programme under the Financial Institutions Directors' Education Programme ("FIDE") within a year and Islamic Finance for Board within two (2) years upon his/her appointment.

BOARD LEADERSHIP AND EFFECTIVENESS

The Bank has zero tolerance for any conduct that constitutes a wrongdoing or malpractice which may include any breach of ethics as described in the CoBC, conflict of interests, bribery and corruption, anti-money laundering/combating the financing terrorism, and/or any fraudulent act as may be described in the Bank's Anti Bribery Code system and other relevant documents.

All present Board members have attended and completed the Director's Core Training Programme under FIDE within the period stipulated under the Director's Training Policy of the Bank. In line with the MCCG 2017 recommended practice, the Company Secretary facilitates the orientation of new Directors and assists in directors' training and development.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board has delegated to the BNRC the responsibility to oversee and recommend the structure of the remuneration policy and frameworks for the Directors and Senior Management. The Bank's Directors' Remuneration Policy has been developed to attract and retain Directors of the calibre needed to spearhead the Bank.

The remuneration structure for Non-Executive Directors takes into consideration the relevant factors including function, workload, responsibilities and time spent for the preparation for the Board and Board Committee meetings. It comprises fees, meeting allowance and benefits in kind. A premium is given to the Chairman of the Board and Chairmen of Board Committees in view of their additional role in guiding and managing the Board and Board Committees.

In line with good corporate governance practice, the Directors' Remuneration Policy/structure may be reviewed every three (3) years or as and when BNRC or the Board deems necessary.

The remuneration for Non-Executive Directors is subject to annual approval by the shareholders.

The CEO's Corporate Scorecard and CEO-1's Key Performance Indicators are reviewed and tracked by the BNRC on an annual basis.

The individual and aggregate emoluments received by the Directors of the Bank during the financial year ended 31 December 2020 are disclosed in Note 35(b) on pages 113 and 114 of the Annual Report.

EFFECTIVE RISK MANAGEMENT AND ACCOUNTABILITY

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board, supported by its committees, operates within a framework of prudent and effective controls in the interests of shareholders, customers and other stakeholders. The Group's Governance of Risk Management and Internal Controls ensures the safety and soundness of the Group and its key entities. This is achieved through a robust governance structure designed to deliver a well-managed business with effective decision-making, good procedures and strong controls.

The Group's Risk Management and Internal Controls comprises three (3) elements:

The Board and its committees:
How the business is managed.

Risk Management System:
How risks are identified, measured, managed, monitored and reported.

Internal Control System:
The controls behind the Corporate Governance Framework and the Risk Management System.

THE BOARD AND ITS COMMITTEES

BRMC is responsible for reviewing and setting the Group's overall risk strategy and risk appetite, and for approving the risk management policies. BAC reviews the effectiveness of the Internal Control System on an annual basis and carries out assurance on the Financial Control Framework on a quarterly basis. The Board reviewed the effectiveness of the Bank's risk management and internal control systems including financial, operational and compliance controls and concluded that they were appropriate and had operated effectively during the year.

RISK MANAGEMENT SYSTEM

- A common framework through which risk management and control is embedded.
- Consistent approach throughout the Group to identify, measure, manage, monitor and report risks.
- Consistent and comprehensive set of policies are maintained.
- Risk Management Policy establishes a framework of standard risk management processes.
- Risk Management System is underpinned by the 'Three (3) Lines of Defence' model.

INTERNAL CONTROL SYSTEM

The Group's Internal Control System sets out the processes and frameworks required to ensure effective and efficient delivery of the Group's strategic objectives and is designed to identify and mitigate, rather than eliminate, the potential risk of failure to achieve business objectives and can only provide reasonable not absolute assurance against material financial misstatement or loss. Implementation and maintenance of the Internal Control System is delegated to senior management. The Group has an effective Internal Control System which contains administrative and accounting procedures, an internal control framework, with appropriate validation, assurance and reporting arrangements at all levels of the Group, a delegated authority framework, and a compliance framework. The internal control system is underpinned by the three (3) lines of defence model.

For further details on Effective Risk Management and Accountability, please refer to Statement on Risk Management and Internal Control on pages 142 to 153 of the Annual Report.

EFFECTIVE RISK MANAGEMENT AND ACCOUNTABILITY

Board Audit Committee

Role

Ensures the adequacy and integrity of system of internal controls and financial reporting, compliance with internal policies, procedures and external applicable rules and regulations. The Chief Executive Officer and Chief Internal Auditor attend all BAC meetings as permanent invitees to facilitate deliberation of the issues discussed.

BAC Focus Areas

- Review and recommend to the Board the unaudited interim financial statements as well as the audited financial statements for approval.
- Review internal audit reports on the Head Office and the branches of the Bank.
- Deliberate on significant matters highlighted by the Management or the External Auditor and review progress updates on the action plan.
- Review the investigation reports prepared within the Bank.
- Approve the External Auditors' and Internal Auditors' audit plans and review the progress accordingly.
- Evaluate the performance of the External Auditors and recommend their appointment to the Board.

Board Risk Management Committee

Role

Responsible to oversee Management's activities in managing all risks namely credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process is in place and functioning. The BRMC is assisted by the Chief Executive Officer, Chief Risk Officer, and Chief Compliance Officer who also attend the meeting as permanent invitees.

BRMC Focus Areas

- Review the risk management report covering market risk, credit risk, operational risk and Shariah non-compliance risk and emerging risk report.
- Review compliance report covering Anti-Money Laundering/Counter Financing of Terrorism AML/CFT, regulatory compliance and update on new policies and regulations.
- Review and recommend to the Board the risk appetite setting for the Bank to ensure it is in line with the corporate strategy and direction.
- Review and recommend to the Board the stress test scenario and its methodology.
- Review the implementation of the Internal Capital Adequacy Assessment Process ("ICAAP") for the Bank.
- Review and deliberate new product/services and product programmes proposed by the business units to ensure it is in line with the target risk profile and risk acceptance criteria for the Bank.
- Review and deliberate significant business and operating risk-related policies of the Bank.

RELATIONS WITH STAKEHOLDERS

Our stakeholders play an invaluable role in building the sustainability of our business. We regularly engage formally and informally with both our internal and external stakeholders through various touchpoints which aid us in understanding their expectations and concerns. Our corporate website provides easy access to comprehensive and updated information about us.

SHARIAH COMMITTEE STATEMENT

The Shariah Committee was established in accordance with the requirements of the Islamic Financial Services Act 2013, which prescribed the setting up of a Shariah body to ensure the Bank conducts its affairs in accordance with Shariah principles. Members of the Shariah Committee are scholars renowned for their knowledge and experience in Shariah and Fiqh Muamalat.

The Shariah Committee is guided by its Terms of Reference which sets out amongst others, the primary duties and responsibilities of the Shariah Committee, the authority and conduct of the Shariah Committee meetings. The Terms of Reference are governed by the Central Bank Act 2009, Islamic Financial Services Act 2013 ("IFSA") and the Policy Document on Shariah Governance ("Laws and Regulations").

Duties, Responsibilities & Accountability of the Shariah Committee are as follows:

i. Responsibility and accountability

The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee, the members must be in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee members, and responsible and accountable for all Shariah decisions, opinions and views provided by them.

ii. Advise to the Board and the Bank including the Bank's subsidiaries

The Shariah Committee is expected to advise the Board and the Management, including the Bank's subsidiaries, and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.

iii. Endorse Shariah policies and procedures

The Shariah Committee is expected to endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.

iv. Endorse and validate relevant documentations

To ensure that the products of the Bank comply with Shariah principles, the Shariah Committee must approve:

a. the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and

b. the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

v. Assess work carried out by Shariah review and Shariah audit

To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

vi. Assist related parties on Shariah matters

The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

vii. Shariah Advisory Council, Bank Negara Malaysia

The Shariah Committee may advise the Bank to consult the Shariah Advisory Council of Bank Negara Malaysia ("SAC") on Shariah matters that could not be resolved.

viii. Provide Written Shariah Opinions

The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank makes reference to the SAC for further deliberation, or where the Bank submits applications to the Bank for new product approval.

SHARIAH COMMITTEE STATEMENT

ix. Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.

x. Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.

xi. Report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.

xii. Provide Shariah advisory and consultancy services in all matters relating to the Bank's products, transactions and activities as well as other businesses involving the Bank.

xiii. Scrutinise and endorse the annual financial report of the Bank.

xiv. Provide training to the staff as well as notes or relevant materials for their reference.

xv. Represent the Bank or attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.

xvi. The Shariah Committee shall maintain the confidentiality of BMMB's internal information and shall be responsible for the safeguarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.

xvii. The Shariah Committee shall ensure the quality and consistency of the Shariah decisions.

Composition of Shariah Committee

According to Policy Document on Shariah Governance ("PDSG"), the composition of Shariah Committee at minimum must comprise at least five (5) members and the member must not accept any appointment in more than one licensed Islamic bank, one licensed takaful operator and one prescribed institution. Furthermore, a Shariah Committee member must not serve the same Islamic Financial Institutions ("IFI") for more than nine (9) years.

Currently, BMMB's Shariah Committee BMMB comprises five (5) members whose appointments are renewed every three (3) years. For this year, the Bank is proposing to replace two (2) of our SCs who have exceeded nine (9) years of tenure.

The Chairman of Shariah Committee must be a Shariah qualified person and meet all criteria as required under PDSG, and the appointment is subject to approval by BNM.

Besides the Chairman, there should be an alternate Chairman in the event where the Chairman of the Shariah Committee is unable to attend the meeting. The members shall elect one (1) member among themselves to become the alternate Chairman to preside over the meeting. The alternate Chairman shall be a member with qualified Shariah background.

A brief profile of each member of the Shariah Committee is presented on pages 115 to 117 of this Annual Report.

Appointment/Reappointment of Shariah Committee

The appointment/reappointment of the Shariah Committee members and Chairman of the Shariah Committee is subject to assessment and evaluation based on necessary conditions made by the Bank and met all requirements specified in the policies issued by BNM.

The Board shall, upon recommendation of its Nomination Committee, nominate the appointment of the members of the Shariah Committee.

Further written approval and endorsement from Bank Negara Malaysia must be obtained after approval from the Board at least three (3) months before it expects a proposed candidate to assume his/her responsibilities. In the case of reappointment, the application must be submitted three (3) months prior to the expiry of the Shariah Committee member's tenure.

Resignation and Termination of the Shariah Committee

Where a Shariah Committee member resigns or is disqualified pursuant to the relevant paragraphs in PDSG, Sections 33(2) and 34(1) of the IFSA impose obligations on the Bank and the Shariah Committee member to notify the BNM of that fact and its reason immediately or in any cases no later than fourteen (14) days of such circumstances.

For the purpose of the application for termination, the Bank must provide justifications as well as assessment on the performance of such member to BNM.

Negative List

The Shariah Committee member or his immediate family member must not:

a. be an executive of the Bank during the tenure of his/her appointment or within the last two (2) years of his/her proposed appointment as a Shariah committee member;

b. be a substantial shareholder, executive director or senior officer of the Bank or any of its affiliates; or

c. have a significant business or other contractual relationship with the Bank or any of its affiliates within the last two (2) years.

Shariah Committee meetings

The Shariah Committee meetings shall be held at least once in every two (2) months. Meetings shall be held regularly to ensure that:

a. the Shariah Committee is kept sufficiently in touch with the business of the Bank;

b. The operations of the Bank are not adversely affected because of the difficulty in securing the Shariah Committee's approval for policy and decision.

For the period of January to December 2020, eleven (11) SC meetings were held, of which all Shariah decisions were disseminated for further action by relevant business units:

Meeting	Date
1st Monthly SC Meeting 2020	30 January 2020
2nd Monthly SC Meeting 2020	19 February 2020
1st Special SC Meeting 2020	20 April 2020
3rd Monthly SC Meeting 2020	15 May 2020
4th Monthly SC Meeting 2020	23 July 2020
5th Monthly SC Meeting 2020	19 August 2020
6th Monthly SC Meeting 2020	29 September 2020
2nd Special SC Meeting 2020	12 October 2020
7th Monthly SC Meeting 2020	28 October 2020
3rd Special SC Meeting 2020	23 November 2020
8th Monthly SC Meeting 2020	9 December 2020
Total	**11 meetings**

The Shariah Committee member is expected to contribute and allocate adequate time and efforts to discharge his/her duties effectively. The Shariah Committee member must attend at least 75% of the Shariah Committee meetings held in each financial year. Where necessary, the participation of the Shariah Committee can be facilitated by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve confidentiality of the deliberations.

SHARIAH COMMITTEE STATEMENT

In respect of the quorum for Shariah Committee meetings, the Bank must ensure that there is a majority of Shariah qualified members to be present at each meeting. The Bank shall ensure that any decision of the Shariah Committee must be made on the basis of simple majority.

The Shariah Committee shall put on record in its report or statements directed to the Board, its concerns over any Shariah non-compliance issues.

For January to December 2020, Shariah Committee attendance for eleven (11) meetings held are as follows:

Shariah Committee Member	Attendance	%
Tn. Hj. Azizi Che Seman	11/11	100%
YM Engku Ahmad Fadzil Engku Ali*	2/2	100%
Prof. Madya Dr Mohamad Sabri Haron	11/11	100%
Dr. Wan Marhaini Wan Ahmad	10/11	90%
Dr. Mohd Shahid Mohd Noh	11/11	100%
Dr. Yusri Mohamad	11/11	100%

**Last date of service on 31 March 2020*

It is concluded that all members of Shariah Committee complied with the attendance of not less than 75% of the meetings scheduled.

Training Programme for Shariah Committee

The Shariah Committee assumes the responsibility to further enhance the skills and knowledge on the relevant new laws and regulations as to keep abreast with developments in the financial services industry.

The training programmes attended by the Shariah Committee for the period of January to December 2020 include the following:

Shariah Committee Member	Training Programme
Tn. Hj. Azizi Che Seman	• Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum ("ISSF 2020") • Islamic Fintech Dialogue ("IFD") • Familiarisation Programme Series 1 - Investment fund & *Wasiat* • Familiarisation Programme Series 2 – SMART Mortgage Flexi, Muamalat Gold-i & Shariah Governance • Familiarisation Programme Series 3 – Rahn Tawarruq, Credit Card-i, Compounding Issue in Moratorium & SNCE Process Flow

Shariah Committee Member	Training Programme
Prof. Madya Dr Mohamad Sabri Haron	• Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum ("ISSF 2020") • Islamic Fintech Dialogue ("IFD") • Familiarisation Programme Series 1 - Investment fund & *Wasiat*
Dr. Wan Marhaini Wan Ahmad	• Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum ("ISSF 2020") • Islamic Fintech Dialogue ("IFD") • Familiarisation Programme Series 1 - Investment fund & *Wasiat*
Dr. Mohd Shahid Mohd Noh	• Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum ("ISSF 2020") • Islamic Fintech Dialogue ("IFD") • Familiarisation Programme Series 1 - Investment fund & *Wasiat* • Familiarisation Programme Series 2 - SMART Mortgage Flexi, Muamalat Gold-i & Shariah Governance • Familiarisation Programme Series 3 - Rahn Tawarruq, Credit Card-i, Compounding Issue in Moratorium & SNCE Process Flow
Dr. Yusri Mohamad	• Shariah Review Training by ISRA • Board Structured Training: Shariah Governance Policy • Muzakarah Cendekiawan Syariah Nusantara Ke-14 • 15th International Shariah Scholars Forum ("ISSF 2020") • Islamic Fintech Dialogue ("IFD") • Familiarisation Programme Series 1 - Investment fund & *Wasiat* • Familiarisation Programme Series 2 – SMART Mortgage Flexi, Muamalat Gold-i & Shariah Governance • Familiarisation Programme Series 3 – Rahn Tawarruq, Credit Card-i, Compounding Issue in Moratorium & SNCE Process Flow

In equipping the role of Shariah Committee, Shariah Division is to provide secretariat function, including inputs on banking operations and in-depth research on Shariah matters for Shariah Committee. These functions include coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders, engaging with relevant parties who seek further deliberations on issues from the Shariah Committee and provide all other secretariat support to the SC members.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD RESPONSIBILITY

The Board acknowledges its responsibility in ensuring that the senior management establishes and maintains an adequate and effective system of risk management and internal controls as well as reviewing its adequacy and effectiveness to keep pace with the changes in the Bank's activities and operating environment. Such system covers not only financial controls but also non-financial controls relating to governance, operations, risk management and compliance with applicable laws, regulations, rules, directives, guidelines as well as internal policies, processes and procedures.

The Board is of the view that the system of risk management and internal controls includes an established and ongoing process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of the Bank's business objectives and strategies. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable and not absolute assurance against material misstatement of financial information or against any losses or fraud. For this purpose, the Board has ensured the establishment of key processes for reviewing the effectiveness, adequacy and integrity of Bank Muamalat's system of risk management and internal controls.

The Board is of the view that the internal control framework has been instituted throughout the Bank to safeguard the shareholder's investment, customers' interest and the Bank's assets. The control structure and process for financial, operational, risk management and compliance elements which have been instituted throughout the Bank and its subsidiaries are updated and reviewed from time to time to suit the changes in the business environment. This ongoing process has been implemented to strengthen the Bank's internal controls and risk management system for the whole financial year under review.

Overview

The unprecedented COVID-19 pandemic has emphasised the continuous need for an effective risk management system in achieving operational and financial resiliency whilst persevering essential banking services to stakeholders and at the same time achieving the Bank's strategic objectives.

The Bank faced many challenges during the early onset of the pandemic including the lockdown of its headquarters during the Enhanced Movement Control Order imposed in April 2020. Nonetheless, pre-emptive business continuity measures undertaken to manage any such eventualities helped the Bank to steer through the critical months and ensure minimal interruptions to business operations and customer service while safeguarding the health and safety of its employees and customers.

Business impact assessments along with stress tests were rigorously performed during the year to ascertain impact to business operations, asset portfolios, revenue, liquidity and capital positions, thus enabling the Bank to take appropriate mitigation actions to avert adverse consequences and preserve its resiliency.

In managing technology and cyber resilience, steps have been taken to tighten and mitigate the risk of cyber-attacks on the Bank's IT network and digital platforms. Digital platforms have fast become the primary option for carrying out transactions in place of physical interaction and with the increased reliance on digital channels, the industry has seen greater cyber threats and malware attacks. Unsurprisingly, technology and cyber risk management has become a top agenda at the Bank's board and management level where key initiatives, risks and solutions are being reported and deliberated periodically.

Risk Management Framework

The Bank has embarked on a journey to implement Enterprise Risk Management ("ERM") to guide and streamline its risk management approaches and embed strategic management practices that focus on ongoing management of risks associated with strategic business objectives. A new ERM framework was developed and modelled after the ISO 31000:2018, an internationally accepted standards and guidelines on risk management, which is aimed at integrating sound risk management practices into all business activities and functions.

The ERM principles form the foundation for managing all types of risk and has been used in the establishment of the ERM framework and in streamlining of all other existing risk management frameworks, namely that of credit, market, operational and Shariah risks.

The Bank's risk governance and oversight structure outlines the accountabilities as well as roles and responsibilities for the management of risk. It provides a blueprint for the Board of Directors and Management to execute their responsibilities and includes a framework for the delegation of authority to the relevant committees and executive officers.

The Board provides oversight for overall risk governance and ensures that the Bank's strategic objectives are supported by sound risk strategy and an effective risk management framework. Thus, an appropriate risk management structure has been clearly defined and established to monitor and ensure that risk management strategies are properly executed and risk exposures are kept within the approved risk boundaries and controls.

In executing governance and oversight of risk, the Board would approve risk appetite statements recommended by the Management to guide the Bank's risk taking activities within the boundaries of its financial capacity and fiduciary obligations and set relevant tolerance levels, controls and monitoring mechanism to monitor and report risks. The Board oversees the risk management function through a governance structure which comprises board and management-level committees with distinct roles and responsibilities, accountabilities, and discretionary authorities.

The Board is supported by two (2) board-level committees with specific functions and responsibilities, namely the Board Risk Management Committee ("BRMC") and the Shariah Committee ("SC"). These committees, through the authority delegated by the Board, monitor the execution and implementation of the Bank's strategies, policies and methodologies and ensure that these are kept in line with the Board's vision.

Board Level Committee

Oversees execution and implementation of the Bank's strategies, policies and methodologies in line with the Board's vision.

Reviews and recommends strategic and business plans, capital plans and risk appetite statements as recommended by the Management for the Board's approval.

Board Risk Management Committee ("BRMC")

- Ensures effective management of risk and enforcement of approved risk tolerances and limits.
- Reviewing and assessing the existing risk management framework for its continued efficacy and for ensuring that robust infrastructure and systems as well as resources are in place to monitor risk and capital effectively.

Shariah Committee ("SC")

- Independent from the Board.
- Understand Shariah issues in all activities assumed by the Bank.
- Serves as advisory to the Board and Management team on all Shariah matters.
- Shariah management and compliance are closely aligned to ensure an integrated and end-to-end compliance management.

As part of the oversight responsibilities, the Board monitors the Bank's financial performance and its execution of strategic and business plans and adherence to risk appetite limits. To facilitate effective oversight, the Management is responsible for tracking and reporting the Bank's performance based on agreed measurements as well as on any exceptions to the stipulated guidelines or limits.

The Management formulates and reviews the strategic and business plans and provides recommendations for the Board's decision. The strategic business plan takes into consideration the Bank's financial objectives and resources, in line with its risk appetite. Financial objectives for each business line are established by setting growth and return targets and allotting capital. The overall performance and risk-adjusted return of each business line are assessed against the set targets and indicators. The Bank closely monitors and evaluates the capital and operating limits given rapid changes in the business and economic environment as well as rising competitive pressures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board and Management are supported by functional and risk control units, which are guided and managed under a formal reporting hierarchy. Management-level risk committees are set up to oversee specific risks and perform risk control functions in the areas of asset and liability management, credit evaluation and investment, and operational risk. Risk Management Department ("RMD") supports the above-mentioned Committees by performing the day-to-day risk management functions which are kept independent of business targets.

In FY2020, the Risk Management organisation structure was enhanced with the appointments of a Chief Credit Officer to specifically focus on the credit portfolios of the Bank and a Chief Information Security Officer ("CISO") to oversee the overall policies and practices in relation to IT security. The CISO, who reports to the Chief Risk Officer ("CRO"), also supports in the oversight and management of technology-related risks.

The approach

To operationalise and integrate the risk governance and management structure at the bank-wide level, the Bank adopts a distributed function approach towards managing risk as depicted in the Three (3) Lines of Defence model as follows:

Three (3) Lines of Defence Model

All units have a specific responsibility for risk management under the above model.

First Line Defence Model
Business Units

- Risks are directly undertaken and assumed in the day-to-day business activities and operations.
- As frontliners, responsible for carrying out the established processes for identifying, mitigating and managing risks within their respective environment aligned with the Bank's strategic targets.

Second Line Defence Model
Risk Management Control & Compliance

- Ensures independent oversight and management of all material risks undertaken by the Bank.
- Provides specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control.
- Provides the control function, which monitors the risks by using various key indicators and reports, guided by established risk appetite and tolerance limits.

Third Line Defence Model
Internal Audit

- Provides independent review and assurance on adequacy of risk management processes and effectiveness of the first two (2) lines of defence in fulfilling their mandates.

Risk Culture

As the Bank continues to enhance and strengthen its risk management practices, it reinforces and embeds a strong risk culture throughout the organisation. Continuous tone from the top messaging and communication on risk management have been implemented in order to promote a consistent and coherent risk culture. Focus has been on strengthening the first line of defence and having constant engagements with risk owners to ensure a uniform understanding and approach for managing risks, not just in handling business and conduct risks but also on the intricacies of credit, market, liquidity, operational, Shariah, technology and cyber risks.

Risk Appetite

The Bank's risk appetite framework constitutes a formal governance structure and review process for the establishment of the risk appetite statements ("RAS") and tolerance limits. It provides a common framework and comparable set of measures for the Board and Management to clearly indicate the level of risk the Bank is willing to accept and ensures that the Bank maintains an acceptable risk profile. It also serves as a foundation and reference for the Bank's risk culture and provides guidance for business and risk-taking activities and decision making.

RAS is formulated and reviewed in conjunction with the strategic, capital and business planning and is aimed at aligning risk appetite with the Bank's strategies and financial resources. It incorporates key performance indicators, such as earnings volatility, liquidity and capital ratios, and strategic tolerance levels to facilitate ongoing monitoring and oversight.

During the year, the RAS had been enhanced in response to changes in the economic and operating environment, with focus on management of economic sector concentration and liquidity position.

Capital Management

The Bank's capital management framework outlines the governance and approach for managing capital. The Framework was developed according to the capital standards outlined in BNM's policies and guidelines and adopts forward-looking and risk-based approaches and principles derived from industry's best practices.

The objective of capital management is to ensure capital resources are effectively and efficiently utilised while in pursuit of business and strategic targets. Capital requirements are assessed with strategic business plans and pursuant to this, an annual capital plan is formulated to ensure sufficient capital level is maintained to meet business needs and support the risks associated with these activities.

The Bank applies the Standardised Approach for credit and market risks and the Basic Indicator Approach for operational risk to calculate and determine its capital position. Further to this, as prescribed under the BNM's Pillar 2 and capital adequacy assessment guidelines, other possible major risks not covered under the above measurement approaches are also assessed to determine whether additional capital is required.

The capital position is closely monitored against the capital plan and internal targets to ensure that it is maintained within set targets or to trigger preemptive or remedial actions, if required. The Bank also conducts periodic stress tests to assess potential impact of internal and external factors on its capital position, review its capital management strategies, and ascertain adequacy of its capital buffer. These stress tests are performed at least twice in a year.

Capital management and planning is used to ensure that adequate capital buffer is held under normal and projected adverse conditions. The annual capital plan therefore addresses any capital issuance requirement, capital composition and maturity profile, and capital crisis contingency planning.

Credit Risk Management

Credit risk is the risk of a counterparty failing to perform its obligations. It is one of the major source of risk for the Bank as retail and wholesale financing portfolios as well as investment securities constitute the bulk of its financial assets.

The Bank's framework for managing credit risk comprises the policies, processes, measurement tools/methodologies, and an established reporting and monitoring structure. Credit underwriting standards and credit management policies and guidelines are documented and outlined in the Credit Risk Policy and Guideline to Credit Risk Policies. These documents also cover policies on approving authorities, pricing, credit risk rating, prudential limits, credit risk mitigations, credit review process, rehabilitation and restructuring, credit impairment, and financing loss provisioning. The policies are reviewed and updated regularly to ensure its continued relevance and effectiveness.

Credit risk management involves measurement, mitigation and management of credit risk exposures at every stage of the credit life cycle. At origination and onboarding, business units are guided by the credit underwriting standards, rating models, mitigation strategies, and pricing policy. Credit proposals are also subject to independent evaluation and risk assessment prior to approval. Credit limits are sanctioned under a well-defined approving authority structure to ensure credit decision making are undertaken under prudent and proper governance. These authority limits are approved by the Board and are subject to periodic review to ensure its effectiveness and compliance.

The Bank also continuously monitors the credit exposures from concentration risk perspective and ongoing compliance risk appetite and risk tolerance. Reports on trends and movements, limit exposures, and risk profiling are produced and deliberated at risk management committees on a monthly basis.

Exposures to delinquent and problematic financing assets are monitored and managed by an independent support unit that focuses and specialises on restructuring and recovery activities. Early warning triggers are used to identify potentially distressed accounts to initiate timely remedial actions. Such exposures are actively monitored to ensure delinquencies and defaults are kept within tolerable levels and that the level of provision are adequate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

During the year, several initiatives were implemented to improve the management of credit risk. These include enhancements of credit risk reports to facilitate decision making process, continuous enhancements of the risk acceptance criteria, development and calibration of application and behavioral scorecards, revision to the internal prudential limits and strengthening of provisioning practices in light of the COVID-19 pandemic.

Market Risk & Asset-Liability Management

Market risk is defined as risk of losses in on and off-balance sheet positions resulting from movements in market rates, foreign exchange rates, and equity and commodity prices which may adversely impact earnings and capital positions.

The risk is inherent in the financial instruments held in the Bank's asset and liability portfolios. In the event of market stress, these risks could have a material impact on the Bank's financial performance due to changes in economic value based on varying market conditions where one of the primary risks would be changes in the levels of profit rates.

The risk of such adverse changes arising from fluctuations in profit rates is managed through our Asset-Liability Management ("ALM") strategies. ALM refers to the coordinated management of the Bank's balance sheet and its composition. The main focus of ALM is on the overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Bank.

The Bank's risk management framework addresses both market risk and asset-liability management, where market risk exposures are managed and controlled in order to optimise return on risk and maintain a balance sheet profile that is consistent with the approved strategic business plan and risk appetite statement.

The Framework covers key risk management practices such as risk identification, measurement, mitigation, monitoring and control, which are performed under a formal governance and oversight structure. An independent market risk control function is responsible for measuring risk exposures according to established policies and guidelines and reports to the Asset Liability Committee ("ALCO") on a monthly basis. Balance sheet and capital management issues and strategies are discussed at the ALCO and later escalated with recommended action plans to the respective risk management committees and Board.

The above market risk and ALM management process is governed by the Market Risk Management Framework and Trading Book and Banking Book Policy Statement.

Rate of Return Risk

Rate of return risk refers to the variability of assets and liabilities arising from volatility of market benchmark rates which impact portfolios both in the trading and banking books. Such changes may adversely affect both earnings and economic value.

The Bank uses various measurement tools and analyses to study the impact of market rate changes on earnings and balance sheet profile to manage the said exposure. These include earnings at risk, economic value of equity and repricing gap analysis. In addition, the value at risk approach is used to estimate the maximum potential loss of an investment portfolio over a specified time.

Risk tolerance limits are built along these sensitivity measurements to manage and mitigate the related risk exposures. The Bank actively manages the following rate of return risks:

Risk	Definition
Repricing Risk	Timing differences in maturity and repricing of the Bank's assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on the Bank's income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality/Embedded Option Risk	The risk arising from options embedded in the Bank's assets, liabilities and off-balance sheet portfolio

Liquidity Risk

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in asset or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to create liquidity and this has serious implications on its reputation and continued existence.

The Bank's priority is to therefore manage and maintain a stable source of financial resources toward fulfilling the above expectation. Through active balance sheet management, the Bank ensures sufficient cash and liquid assets are made available to meet short and long-term obligations.

The primary focus of liquidity management is to assess all cash inflows against outflows to identify the potential for any net shortfall going forward. This includes funding requirements for off-balance sheet commitments.

The Bank pays particular attention to its ability to cover any shortfall in liquidity for up to a one-month period followed by a medium-term assessment of liquidity of up to one year. The measurement and limits used to monitor and manage liquidity risk are as prescribed under the BNM's liquidity framework, Liquidity Coverage Ratio and Net Stable Funding Ratio. To mitigate the risk, the Bank employs a funding diversification strategy and establishes a liquidity contingency plan.

For ongoing management and monitoring of liquidity and funding positions, the Bank establishes risk tolerance and limits within the applicable risk appetite metrics and provides monthly reporting of its asset, liability and liquidity positioning. The Bank has also established a comprehensive liquidity crisis contingency framework with set triggers and management action plan.

To ensure its readiness in dealing with liquidity crisis, the Bank has set up a pre-crisis management framework with a built-in and structured crisis response mechanism, which allows for quick identification of potential liquidity crisis before it occurs. The process involves continuous monitoring of various indicators which act as early-warning signals of impending crisis situation in different severity levels and assessing the effectiveness of the liquidity crisis management through annual mock run and tests.

Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from various external events. It may occur anywhere within the organisation, including in third-party business processes, and is not limited to operation functions. The effects of operational risk may extend beyond financial losses and may result in legal and reputational risk impacts.

In view of growing challenges in the Bank's operating environment, management of operational risk has been focused on strengthening the first line of defence, which comprises the risk taking entities and process owners at the business and operation units. The operational risk management function within RMD provides support by developing risk management tools and mechanism and facilitating the first liners in risk identification, assessment, mitigation and monitoring as outlined under the Bank's operational risk management framework.

The operational risk function also conducts operational risk training and awareness programs for new recruits and risk agents and continuously engages the risk owners in deliberation and execution of risk management practices.

Business Continuity Management ("BCM")

The COVID-19 pandemic has demonstrated the importance of effective business continuity management to ensure uninterrupted business operations. The Bank's BCM, which entails enterprise-wide planning, coordination and mobilisation of key resources and processes under a broad spectrum of business disruptions arising from both internal and external events, has enabled the Bank to respond and continue to operate critical business functions under various and prolonged adverse conditions. The Bank's Business Continuity Plan ("BCP") has proven to be effective in managing all levels of business and support functions during the movement control order phases.

The BCP was prepared based on risk assessments and business impact analyses performed on identified potential threats to business functions. Business impact analyses are also used to identify critical business functions' recovery time objective and maximum tolerable downtime given the Bank's current resources and infrastructure. With the increasing use of technology to improve customer experience, the associated risks that come with it has to be carefully managed.

Shariah Risk Management

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Shariah non-compliance risk is defined as the risk that arises from failure to comply with the Shariah rules and principles as determined by the Shariah Committee ("SC") of Bank Muamalat and other relevant Shariah regulatory councils or committees.

RMD's Shariah risk management function plays an important role in the Bank's integrated risk management framework and is aligned with the principles outlined in the BNM's Policy Document on Shariah Governance.

The main responsibilities include formulation of policies and guidelines on Shariah risk management and executing the required governance and oversight processes. These include the approaches for identification and assessment of Shariah non-compliance risks in business activities, products and services, and assessment of the effectiveness of existing controls and mitigation plan. The unit also performs assessment of products, services and operating procedures from Shariah risk perspective and conducts training and awareness programmes on Shariah risk to promote a Shariah compliance risk culture.

The synergy within all other Shariah Risk organs continued to be enhanced during the year to effectively manage Shariah non-compliance risk. Two (2) main enhancements made during the year were to include Shariah Risk key risk indicators ("KRIs") as part of the bank-wide KRIs and to perform periodic Shariah risk profiling to increase robustness in tracking of Shariah risk exposures across the Bank and its subsidiaries.

Technology and Cyber Risk Management

Technology enables virtually every activity in a bank and consumes a huge portion of capital investments and operational expenses. A bank's performance depends on the reliability and security of its technology. The changing technology landscape requires banks to make strategic decisions on which technologies to adopt, and which to avoid. Banks face risk from misalignment between business and IT strategies, management decisions that increase the cost and complexity of the IT environment, and insufficient capabilities.

The effects and aftermath of the COVID-19 pandemic have resulted in:

- Increase in customer interaction via digital platforms – primary option for carrying out transactions. Increased reliance on digital channels.
- Increased adoption of digital solutions which has put tremendous pressure on technology infrastructure and resources.
- Disruption in the activity of key job functions which require technology and systems that are only available on-premise which may impact employee productivity
- Remote working conditions and adoption of digital channels have expanded the attack surface of banks' IT network with cyber threats trying to exploit any remote access weaknesses.

Technology risk refers to risk arising from the use of information technology. These risks arise from failure of IT systems, applications, platforms or infrastructure which could result in financial loss, disruptions to the technical infrastructure and operations, or reputational harm to a bank. Cybersecurity risk is the probability of exposure or loss resulting from a cyber attack or data breach to a bank.

The Bank is committed to ensure that the BNM's Risk Management in Technology ("RMiT") Guideline is adhered to. During the year, the establishment and operationalisation of Technology Risk Management Framework and Cyber Resilience Framework for the Bank has helped to drive a practical and consistent operating model across all IT domains to identify, manage, and address risks. Other initiatives include the aim to improve its cyber resilience maturity level and ensure sustainability of its cyber security controls posture.

The Statement on Internal Control highlights the significant features of the internal control system of the Bank adopted by the Board throughout the financial year under review.

BOARD RESPONSIBILITY

The Board affirms its commitment to exercising the overall responsibility in ensuring the establishment of an adequate and effective internal control and risk management system within the Bank.

In discharging its responsibilities, the Board ensures the establishment of fundamental processes for reviewing the effectiveness, adequacy and integrity of the internal control system of the Bank. An adequate internal control system covers the financial controls and non-financial controls relating to governance, operations, risk management and compliance with applicable laws, regulations, rules, directives, guidelines, as well as internal policies, processes and procedures. An effective internal control system includes an established and ongoing process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of the Bank's business objectives and strategies.

The Board acknowledges its responsibility to periodically review the adequacy and effectiveness of the internal control system in identifying, assessing and responding to risks and changes in the Bank's activities and operating environment that could keep the Bank from achieving its objectives.

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Board and responsible for implementing the processes of identifying, evaluating, monitoring and reporting the effectiveness of the internal control system, taking appropriate and timely corrective actions as required during the financial year.

The Management has assured the Board that the Bank's internal control system is operating adequately and effectively in all material aspects.

BOARD AUDIT COMMITTEE

The Board Audit Committee ("BAC") is a Board-delegated committee established to provide structured, systematic and independent oversight of the Bank's governance, risk management, internal control system and financial reporting. This oversight mechanism serves to provide confidence in the integrity of these practices.

The BAC is guided by the Board Audit Committee Charter and the Terms of Reference in discharging its functions. The responsibilities of the BAC include providing the Board with independent and objective advice on the adequacy of the Management's arrangements on the Bank's values and ethics, governance, risk management, fraud, internal control system and compliance.

The BAC meets on a scheduled basis to review audit and investigation reports prepared by the internal auditors, external auditors and regulators. The BAC also reviews all Connected Party transactions and audit and non-audit related fees proposed by the external auditor. All significant and material lapses highlighted by the internal auditors, external auditors and regulators are reported to the BAC for review and deliberations during the financial year.

In addition, the Head of Division/Head of Department from the auditable units are required to facilitate the BAC during the deliberation of the audit reports and audit observations. The BAC deliberates on the outstanding audit observations to ensure that the Management undertakes necessary remedial actions within the committed timeline.

INTERNAL AUDIT

The internal audit activity of the Bank is governed by Bank Negara Malaysia Guidelines on Internal Audit Function of Licensed Institutions and the International Professional Practices Framework ("IPPF") formulated by the Institute of Internal Auditors. The IPPF provides the basis for the internal audit stakeholders such as the BAC, Senior Management and

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Regulators on how the Internal Audit Division ("IAD") fulfils its mission and measure the effectiveness, performance and quality of internal audit activity.

Internal Audit activity helps the Bank to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control system and governance processes. This function serves as an important source of advice for the BAC concerning areas of weaknesses or deficiencies in internal processes to facilitate appropriate remedial measures by the Bank.

Internal Audit Division

The Internal Audit activity of the Bank is under the purview of the Internal Audit Division ("IAD or Division") which is currently headed by the Chief Internal Auditor ("CIA").

The Division serves as an independent function within the Bank that carries out an independent assessment, consulting activities and provide objective assurance on the state of internal controls, risk management, and governance processes established within the Bank to the Board of Directors through the BAC.

IAD also serves to enhance and protect the Bank's value by providing advice and insight on the internal processes in terms of efficiency, effectiveness, and business practicality to achieve the Bank's vision and strategic objectives.

To establish and maintain the internal audit activity's position within the Bank, IAD is guided by its Internal Audit Charter which defines the purpose, authority, responsibility, accountability, independence and objectivity as well as professionalism and ethical standards.

Additionally, the IAD is guided by the Internal Audit Manual, the Internal Audit Policy and the relevant Frameworks in effectively assessing and reporting the adequacy and effectiveness of the design and implementation of the Bank's overall system of internal control, risk management and governance.

Independence

The independence of the IAD is effectively achieved with the CIA reports functionally to the BAC and is independent of the activities audited including management decisions on operational matters and internal control processes of other operating units within the Bank. The functional reporting line to the BAC provides the CIA with direct access to sensitive matters and enables sufficient organisational status. An administrative reporting to the CEO also provides the CIA with sufficient organisational status, as well as the authority to perform duties without impediment and to address difficult issues with other Senior Management.

Annual Audit Plan

IAD formulated the Annual Audit Plan using a risk-based methodology, taking into consideration the bank-wide governance, risk and compliance as well as information and relevant initiatives completed by other lines of defence. The Annual Audit Plan and its revision will be reviewed and approved by the BAC annually.

The audit universe covered during the financial year includes, but is not limited to cybersecurity, data management, regulatory updates, third party reliance, human capital, governance, business continuity management, sustainability, processes, system and technology.

The results of the audit reviews conducted, including the audit observations, its risks, audit recommendations, Management's responses and action plans are reported to the BAC regularly for review and deliberation. Rectification of outstanding audit observations performed by the Management is tracked and challenged by the Management Audit Committee and the BAC on monthly basis to ensure adequate and effective actions taken are within an appropriate and agreed timeline.

Competency

IAD continuously encourages auditors to uphold proficiency by obtaining relevant professional certifications, which is assessed annually through the Training Needs Analysis.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The other key elements incorporated by the Board that contributes to an effective internal controls system include:

Board Committees

Relevant Board Committees are established to assist the Board in executing its overall governance responsibilities and oversight function. The Board committees exercise its responsibilities delegated by the Board to deliberate on matters within the respective scope of responsibility. Each of the committees is guided by its terms of reference and their minutes of meetings are tabled to the Board. These Committees are authorised to examine all matters within the scope defined in their respective terms of reference and report their recommendations to the Board.

Organisation Structure

A formalised organisation structure that provides clear demarcation of reporting and responsibility is established for ensuring proper assignment of authorities, segregation of duties and accountability towards the Bank.

Business Plan and Budget

The Board deliberates and approves the Bank's annual business plan and budget. The budget approval process is an important internal control mechanism used by the Bank to ensure an agreed allocation of resources and that the operational managers are sufficiently guided in making business decisions.

A detailed budgeting process is established requiring all key operating divisions/departments in the Bank to prepare budgets and business plans annually for approval by the respective Boards. The Bank's budget and business plans as well as strategic initiatives are discussed by the Bank's senior management and the Board at an annual business planning and budgetary session.

Policies and Procedures

Policies, procedures and processes governing the Bank's businesses and operations are documented and approved by the Board for enforcement across the Bank. Policies and procedures serve as a day-to-day operational guide to ensure compliance with internal controls and the applicable laws and regulations. Regular reviews and updates are performed to the policies and procedures to ensure continuous improvements in operational efficiency taking cognisance of the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services.

Authority Limits

The Authority Limits stipulate the governing principles of decision making within the Bank that include appropriate escalation and reporting to the Board. The Authority Limits encompass both monetary and non-monetary limits for recommending and approving operational and management decision-making activities before its execution. The Bank has in place an Authority Limits Policy to guide the administration and delegation of authority across the Bank.

Whistle Blower Protection Policy

The Whistle Blower Protection Policy is established to provide an avenue for reporting any abuse or circumventing acts committed by any person against the processes and controls of the Bank. All staff have the opportunity and responsibility to disclose any misconduct or breach via the Whistle Blowing channel managed by a third party appointed by the Bank with the assurance that it shall be dealt with in confidentiality and that the whistle blower's identity is protected. All whistle blowing reports from the appointed third party will only be disclosed according to the matrix approved in the Policy.

Anti-Bribery and Corruption Policy

The Anti-Bribery and Corruption Policy is established during the financial year in line with the implementation of Section 17A Malaysian Anti-Corruption Commission Act 2009 effective June 2020. The Bank adopts a zero-tolerance approach against all forms of bribery and corruption in carrying out its daily operations. The Policy sets out the guiding principles for the directors and employees of the Bank in dealing with solicitation, bribery and other corrupt activities and issues in daily operations.

CONCLUSION

The Board, through the BAC, has satisfactorily performed its oversight role in ensuring there is a sound internal control system and regular review on the adequacy and integrity of the system within the Bank. An assurance on the effectiveness of risk management, control and governance process has been obtained from the Management and Auditors (internal and external).

The Board is of the view that the internal control system has been instituted throughout the Bank to safeguard the shareholder's investment, customers' interest and the Bank's assets. The Board recognises that risks cannot be eliminated completely and as such, the internal control system of the Bank is designed to provide reasonable assurance against the occurrence of any material misstatement, loss or fraud.

The control structure and process for financial, operational, risk management and compliance elements, which have been instituted throughout the Bank and its subsidiaries, are updated and reviewed from time to time to suit the changes in the business environment. This ongoing process has been implemented to strengthen the Bank's internal controls and risk management system for the financial year under review.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

STATEMENT ON COMPLIANCE

Regulatory compliance risk is defined as risk of failure by an organisation to comply with applicable legal and regulatory requirements, which could result in fine or penalty or imposition of enforcement action by the regulators. In managing such risk, Bank Muamalat acknowledges that, operating in highly regulated environment while pursuing business agenda to meet the regulatory and supervisory expectations requires the Bank to establish clear roles and responsibilities and embed strong compliance risk management practices throughout the Bank.

Effectively managing compliance risk would also maximise the Bank's opportunities in the competitive market place and strengthen Bank Muamalat's competitive edge by building trust and market positioning in a more timely and dynamic manner. Recognising these challenges, Bank Muamalat is continuously strengthening compliance culture across the Bank involving all level of staff and across all of its business activities.

The Board, Chief Executive Officer and Senior Management are responsible in setting the tone from the top outlining the Bank's overall compliance management programme consistent with the objectives of the regulations and for the betterment of the society as a whole. The Board through the Board Risk Management Committee and the Board Compliance Committee actively provides guidance and oversight on the overall compliance management agenda to ensure that all staff are cognizant of this agenda and at the same time having adequate safeguards properly embedded in the Bank's daily operations via policies, operational guidance, code of conduct and also standard operating procedures in line with regulatory requirements.

COMPLIANCE TRANSFORMATION PROGRAMME

The compliance management programme is monitored and implemented through a dedicated Compliance function established to manage Bank Muamalat's compliance risk including AMLA and Shariah-related matters. This is achieved via the Compliance Transformation Programme that cut across all Bank Muamalat's operations ensuring that regulatory compliance risk management is sufficiently integrated in the Bank's business activities.

During the year, various operational guidance and training programmes on key regulatory matters have been developed and institutionalised to escalate achievement of industry best practices and elevate the staff understanding and competencies which emphasised on a number of focus areas such as anti-money laundering counter measures towards strengthening the Bank's efforts in fighting and preventing financial crime; fair treatment of financial consumer and responsible market conduct practices in ensuring customer protection; and in terms of safeguarding customer information and management of permitted disclosure requirements. Gaps analysis exercise on the regulatory documents continues to be conducted to enhance early detection of potential non-compliance issues and ultimately improve the compliance level in the Bank. Independent reviews are conducted to assess the adequacy and effective implementation of the regulatory requirements with the objectives to ensure material regulatory gaps are identified and adequately managed. This includes Shariah compliance and credit-related matters.

In managing the integrity and fraud risk within the Bank, the Anti-Bribery & Corruption Policy was formulated and adopted across the Bank. It represents the Bank's stance of zero tolerance to bribery and corruption practices and serves to protect the Bank from adverse integrity and reputation which will undermine the support and confidence of the stakeholders.

As an effort to ensure that the implementation of various compliance measures are robust and targeted the material business operations, the Bank is conducting Institutional Risk Assessment ("IRA") on annual basis covering Money Laundering & Terrorism Financing ("ML/TF") risks and Anti-Bribery & Corruption.

Acknowledging that robust and effective implementation is key, the Bank continues to enhance its compliance risk management capabilities across the business operations and process by strengthening the three (3) lines of defence. In this model, the business units are expected to be fully aware of the compliance risk in every business decision and embed sufficient control measures to manage their operations. At the second level of defence, structured compliance functions are established which are deemed as responsible for risk identification, development of framework, monitoring implementation and reporting of the Bank's overall compliance risk. Internal audit as independent party is responsible to review and evaluate the adequacy of the compliance framework and its effective implementation.

- Reports on material compliance indicators and incidence are discussed at the Board Compliance Committee, Executive Risk Management Committee, Shariah Committee and Compliance Working Committee for deliberation and adequate action taken.
- Establish channel for reporting of potential non-compliance incidence to Compliance function.
- Monthly DCO meeting and Project Working Committee were established as avenue to discuss compliance.

- Gap analysis is done on new regulatory requirements to identify regulatory compliance risk and necessary action plans to be taken to address the identified gaps.
- Analyse compliance incident reporting in Muamalat Operational Risk Solution ("MORiS").
- Monitor compliance issues raised by Internal Audit, Compliance Review, Regulators and External Auditors.

- Annual review plans are being established, (i.e. compliance review, Shariah review, AML review, Independent Credit Review) to facilitate on-going assurance of adequacy and effectiveness of control mechanism.
- Continuous system enhancement and risk profiling are carried out to ensure proper oversight on regulatory compliance including AMLA and Shariah-related matters.

- Compliance and Designated Compliance Officer ("DCO") in respective business units conduct the Compliance Risk Assessment ("CRA") on relevant regulatory guideline.
- Risk assessment/profiling of business units are conducted to identify higher risk or high impact areas for targeted resources.
- Adequate policies and procedures are established, revised and communicated as control mechanisms to ensure compliance risk is well managed.

FINANCIAL STATEMENTS

CONTENT

DIRECTORS' REPORT

In the name of Allah, The Most Beneficent, The Most Merciful

The directors have pleasure in submitting their report together with 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 financial services. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

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

RESULTS

	Group RM'000	Bank RM'000
Profit before zakat and taxation	174,768	171,216
Zakat	(3,352)	(3,282)
Taxation	1,441	3,334
Profit for the year	**172,857**	**171,268**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects of COVID-19 pandemic and related support measures as disclosed in Notes 8 (b)(iii), 27 (a) and 29 (b).

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial period. The directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Bank in office since the beginning of the financial year to the date of this report are:

Datuk Seri Tajuddin Atan	(Director) (appointed on 6 May 2020) (Chairman) (appointed on 3 June 2020)
Tan Sri Dato' Dr Mohd Munir Abdul Majid	(resigned on 2 June 2020)
Dato' Sri Che Khalib Mohamad Noh	
Dato' Ibrahim Taib	
Iwan Rashman Gulamoydeen	
Ghazali Hj Darman	
Md. Khairuddin Hj Arshad	
Johari Abdul Muid	(appointed on 10 November 2020)
Dr. Azura Othman	(non-reappointment on 30 September 2020)
Dato' Haji Kamil Khalid Ariff	(resigned on 28 September 2020)
Dato' Hj Che Pee Samsudin	(resigned on 28 March 2020)

DIRECTORS OF THE SUBSIDIARY COMPANIES

The directors of the Bank's subsidiaries who have held in office since the beginning of the financial year to the date of this report are:

Muamalat Invest Sdn Bhd	
Khairul Kamarudin	
Fakihah Azahari	
Dato' Adnan Alias	
Norahmadi Sulong	(resigned on 12 July 2020)
Mohd Faruk Abdul Karim	(appointed on 9 June 2020)
Mohamed Fadzil Sulaiman	(resigned on 19 September 2020)
Muamalat Venture Sdn Bhd	
Khairul Kamarudin	
Mohamed Rezwan Abdullah Ismail	(appointed on 31 December 2020)
PeerMohamed Ibramsha	(resigned on 1 January 2021)
Muamalat Nominees (Asing) Sdn Bhd	
Khairul Kamarudin	
Mohamed Rezwan Abdullah Ismail	(appointed on 31 December 2020)
PeerMohamed Ibramsha	(resigned on 1 January 2021)
Muamalat Nominees (Tempatan) Sdn Bhd	
Khairul Kamarudin	
Mohamed Rezwan Abdullah Ismail	(appointed on 31 December 2020)
PeerMohamed Ibramsha	(resigned on 1 January 2021)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Bank and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			
	As at 31.12.2019	**Acquired**	**Disposed**	**As at 31.12.2020**
Interest in DRB-HICOM Berhad, holding company:				
Indirect Interest				
Dato' Sri Che Khalib Mohamad Noh	3,500^	-	-	3,500^
Direct Interest				
Ghazali Hj Darman	4,000	13,700	-	17,700

^ Deemed interest in shares in the holding company held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

Other than as disclosed above, none of the directors in office at the end of the financial year ended 31 December 2020 had any interest in shares in the Bank or its related corporations during the financial year.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from or the fixed salary of a full-time employee of the Bank as shown in Note 35 to the financial statements or from related corporations) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

DIRECTORS' INDEMNITY

Directors' liability takaful is in place to protect the directors of the Group and of the Bank against potential costs and liabilities arising from claims brought against the directors.

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) As 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:

   (i) the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

   (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) As at the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

   (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S GUIDELINES ON FINANCIAL REPORTING

In the preparation of the financial statements, the directors have taken reasonable steps to ensure that the preparation of the financial statements of the Group and of the Bank are in compliance with the Bank Negara Malaysia's Guidelines on Financial Reporting for Islamic Financial Institutions and the Guidelines on Classification and Impairment Provisions for Financing.

BUSINESS REVIEW 2020

The Group recorded a profit before zakat and taxation of RM174.8 million for the financial year ended 31 December 2020, from RM140.3 million in the previous 9-month period ended December 2019. Period-on-period comparison for the twelve (12) months' result, showed a decline of 23.7% from a profit before tax of RM229.0 million registered in the previous corresponding period ended 31 December 2019 (the Group changed its year-end from March to December in FY2019). The lower profit before zakat and taxation registered in financial year ended 31 December 2020 was mainly the impact from modification loss incurred by the Bank arising from the financing payment moratorium, higher pre-emptive allowance for impairment on financing and impact of cuts in overnight policy rate on revenue margin.

Nevertheless, the Group has registered growth in total assets, which has expanded by 13.2% to RM25.8 billion, as compared against RM22.8 billion in the previous financial period. This was largely contributed by the RM2.3 billion increase in the financing to customers, mainly from the consumer banking section. The Group has continued to improve its asset quality with a Gross Impaired Financing positioned at 1.07% as at 31 December 2020 as compared to 1.31% registered as at 31 December 2019.

Regarding capital position, the Group's Common Equity Tier-1 Ratio and Total Capital Ratio remain stable, closing at 15.49% and 17.96%, respectively; well above regulatory requirements.

PROSPECTS

Overall, the World Bank expects the global economy to contract by 4.3% in 2020 (World Bank's Global Economic Prospect report released in January 2021). In line with this forecast, Malaysia's Gross Domestic Product (GDP) shrank by 5.6% in 2020, as indicated in the Bank Negara Malaysia ("BNM") Quarterly Report (Q4 2020).

Notwithstanding internal and external headwinds, the Malaysian financial sector is expected to remain sound and supportive of the domestic economy in 2021. The overall banking system's capitalisation level remains strong and robust. The Ministry of Finance (MOF) in its Economic Outlook 2021 report, forecast Malaysia's GDP is to grow in the range of 6.5% to 7.5%. The projection not only reflects the low base effects but also an ongoing normalisation in economic activity, expected to be supported by an expansionary government spending totalling an estimated 21% of the GDP. The availability of vaccines by end of February 2021 is deemed positive and an upside risk to the 2021 GDP forecast.

DIRECTORS' REPORT

PROSPECTS (CONT'D.)

Against this backdrop, the Bank will re-prioritise its business strategies to move forward. In line with the ongoing implementation of RISE24[1] , i.e. the Bank's 5-Year Strategic Business Plan, the Bank will continue to uphold its asset quality, build buffers to defend against higher delinquencies, kick start an intensive recovery plan, and strengthen liquidity and capital management. It will also explore new growth areas and expand its distribution channels to remain competitive in the post pandemic landscape. The Bankwill drive growth in high potential segments, innovate products to close the gaps in product offerings and leverage on technology to manage process and service efficiency.

Recognising the emerging risks associated with the current economic conditions, the Bank has taken the necessary steps to mitigate and minimise these risks, in accordance with BNM's guidelines. The Bank will continue to exercise effective Risk and Compliance Management programmes for a more robust enforcement of regulatory requirements and in managing legal and reputational risks. The Bank is also focusing on streamlining its business activities for continuous business resilience. Action plans are in place to cushion the impact of any potential adverse effects on the Bank's financial performance and balance sheet.

Moving forward, the Bank anticipates a better growth for the year, with overall asset expected to grow on the back of better prospects in overall domestic economic expansion. The Bank also forecasts its gross financing to increase for FY2021 due to anticipated growth in retail financing as the current low profit/interest rate environment, which is beneficial for retail consumers, is expected to remain until year-end.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Rating
RAM Rating Services Berhad	July 2020	Long term	A2
		Short term	P1
		Subordinated Sukuk	A3
		Outlook	Stable
Malaysia Rating Corporation Berhad	December 2020	Long term	A
		Short term	MARC-1
		Senior Sukuk	A
		Outlook	Stable

[1] RISE24 is a 5-Year Strategic Business Plan that focuses on seven (7) Strategic Focus Areas, embedded with risk and compliance culture and overarched by the value-based principles. The business plan will be supported by twenty-four (24) key strategies and will be implemented between years 2020 to 2024.

DISCLOSURE OF SHARIAH COMMITTEE

The Bank's business activities are required to be in full compliance with the Shariah requirements, as governed and guided by the Shariah Committee ("SC") consisting of a minimum of five (5) members appointed by the Board for a specified term. The duties and responsibilities of the Shariah Committee are prescribed by the Shariah Governance Policy Document issued by BNM. The key responsibilities of the Shariah Committee are as follows:

(a) To have a charter that sets out the mandate, responsibilities and procedures of the SC including matters reserved for its decision or advice.

(b) To provide objective and sound advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes:

 (i) to provide a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;

 (ii) to provide a decision or advice on matters which require a reference to be made to the SAC;

 (iii) to provide a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;

 (iv) to deliberate and affirm a Shariah non-compliance finding by any relevant functions; and

 (v) to endorse a rectification.

(c) To be accountable for the quality, accuracy and soundness of its own decision or advice.

(d) To establish a robust methodology to guide its decision-making process. The SC must take into account relevant business and risk practices in arriving at a decision or advice.

(e) Where the SC has reason to believe that any Shariah issues or matter may affect the safety and soundness of the Bank, the SC must immediately update the Board of Directors ("BOD") on such matter.

(f) In cases where the SAC has not made any rulings on a particular matter or the SC is not able to arrive at a decision or advice, the Bank shall refer to the SAC for a ruling in accordance with *Manual Rujukan Institusi Kewangan Islam kepada Majlis Penasihat Syariah*. Any requests for a ruling or advice shall be communicated through the Secretariat of the SAC.

(g) In the event where the SC decides or advises to place additional restrictions on the operations, business, affairs and activities of the Bank in applying the SAC rulings, the Bank must:

 (i) document the deliberations and justifications of the SC decision or advice;

 (ii) ascertain the BOD's views on the decision or advice made by the SC with regards to the SAC ruling; and

 (iii) Ensure immediate notification to the BNM of such decision or advice.

(h) The Bank shall ensure that any records of SC's decision or advice to be submitted to BNM, including a rectification plan to address a Shariah non-compliance event (under section 28(3) of the Islamic Financial Services Act ("IFSA") 2013, is supported with key deliberations, rationale and any significant concerns or dissenting views to the decision or advice.

DIRECTORS' REPORT

DISCLOSURE OF SHARIAH COMMITTEE

(i) In the event that the SC delegates any of its responsibilities to any persons or functions:

   (i) The Bank must ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the SC's charter and the Bank's internal policies;

   (ii) The Bank must establish reporting arrangements to keep the SC informed of the work, key deliberations and decisions on the delegated matters; and

   (iii) The SC must remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.

(j) To exercise objectivity in coming up with his judgment and be free from associations or circumstances that may impair the exercise of his professional objectivity. In fulfilling his responsibility, a SC member must ensure that his judgment in arriving at a Shariah decision or advice is not affected by his other professional commitments.

(k) To devote sufficient time to prepare for and attend SC meetings.

(l) To ensure consistency in providing his views and must not act in a manner that would undermine the rulings of the SAC or any decisions of the SC that they represent.

(m) To disclose the nature and extent of his interest that constitutes or gives rise to a conflict or potential conflict of interest upon the appointment, reappointment or as soon as there is any changes in his circumstances that may affect his status.

(n) To continuously develop a reasonable understanding of the business and operations of the Bank and keep abreast with relevant market and regulatory developments. The chairman of the SC must lead efforts to manage the SC's developmental plans.

ZAKAT OBLIGATIONS

The Bank pays zakat on its business to the state zakat authorities, based on the growth model method as approved by the Shariah Committee. The Bank does not pay zakat on behalf of the shareholders or depositors, unless upon request by depositors.

For the year ended 31 December 2020, the Group and the Bank have allocated an amount of RM4.36 million and RM4.28 million respectively, as provision for zakat.

AUDITORS AND AUDITORS' REMUNERATION

The auditors' remuneration are disclosed in Note 37 to the financial statements.

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 17 March 2021.

Datuk Seri Tajuddin Atan
Chairman

Ghazali Hj Darman
Director

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

In the name of Allah, The Most Beneficent, The Most Merciful

We, Datuk Seri Tajuddin Atan and Ghazali Hj Darman, being two (2) of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 169 to 346 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 17 March 2021.

Datuk Seri Tajuddin Atan
Chairman

Ghazali Hj Darman
Director

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

In the name of Allah, The Most Beneficent, The Most Merciful

I, Hafni Mohd Said, being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 169 to 346 are in my opinion 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 abovenamed Hafni Mohd Said
at Kuala Lumpur in Federal Territory
on 29 March 2021.

Before me

Commissioner for Oaths

PESURUHJAYA SUMPAH
No W533
Nama: YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
1 JAN 2019 - 31 DIS 2021
MALAYSIA
205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

Hafni Mohd Said

REPORT OF THE SHARIAH COMMITTEE

In the name of Allah, The Most Beneficent, The Most Merciful

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the year ended 31 December 2020. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The Management of the Bank is primarily responsible to ensure that the Bank conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We planned and performed our review by obtaining all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah principles and to rectify to our reasonable satisfaction the matters that required improvements toward Shariah compliance.

To the best of our knowledge based on the information provided to us and discussions and decisions transpired and made in the meetings of or attended by the Shariah Committee of the Bank as have been detailed out in the relevant minutes of meetings and taking into account the advices and opinions given by the relevant experts, bodies and authorities, we are of the opinion that:

(a) the contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2020 that we have reviewed are in compliance with the Shariah principles;

(b) the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

(c) all earnings that have been realised from sources or by means prohibited by the Shariah principles have been identified and excluded from the Bank's income and were disposed for charitable causes as disclosed in Note 52; and

(d) the financial statements of the Bank for the year ended 31 December 2020 together with the calculation of zakat disclosed to us are in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the overall operations, business, affairs and activities of the Bank for the year ended 31 December 2020 are in compliance with Shariah principles but it has come to the Shariah Committee's attention that two (2) Shariah non-compliance events has occurred and has been rectified, detail as follows:

(i) One incident of zakat payment made to a different state zakat authority which was not as per the instruction in the Service Request Form (SRF).

(ii) Sponsorship granted to Shariah non-compliance event not as per the guideline approved by Shariah Committee of Bank Muamalat Malaysia Berhad.

REPORT OF THE SHARIAH COMMITTEE (CONT'D.)

We were informed on the causes for the events and noted that the Bank has taken the corrective as well as preventive measures in order to avoid recurring events in the future. We also confirmed that the events together with the rectification plans were presented to us and Board of Directors and reported to BNM in accordance with the reporting requirements by the regulator.

Signed on behalf of the Shariah Committee of Bank Muamalat Malaysia Berhad,

En. Azizi Che Seman
Chairman of Shariah Committee

Dr. Mohd Shahid Mohd Noh
Member of Shariah Committee

Kuala Lumpur, Malaysia
29 March 2021

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Muamalat Malaysia Berhad 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, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 169 to 346.

In our opinion, the accompanying financial statements 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 year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our Responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is suffient and appropriate to provide a basis for our audit 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 Code of Ethics for Professional Accountants (including Internatinal 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 and the Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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, 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 on the Directors' Report.

When we read the Annual report, if we conclude the there is material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standard, 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:

- 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.

- 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.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or 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.

- 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.

- 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

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

Ernst & Young PLT

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF: 0039
Chartered Accountants

Chan Hooi Lam
No. 02844/02/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

	Note	Group 31 December 2020 RM'000	31 December 2019 RM'000
ASSETS			
Cash and short-term funds	4 (a)	**2,933,172**	1,011,225
Cash and placements with financial institutions	4 (b)	**30,417**	53,925
Financial investments at fair value through profit or loss	5 (i)	**313,337**	308,793
Financial investments at fair value through other comprehensive income	5 (ii)	**3,798,965**	4,604,824
Financial investments at amortised cost	5 (iii)	**105,544**	103,162
Islamic derivative financial assets	6	**47,820**	21,859
Financing of customers	7	**18,115,817**	15,861,238
Other assets	9	**113,171**	41,670
Statutory deposits with Bank Negara Malaysia	10	**95,255**	568,768
Investment properties	12	**55,889**	53,063
Right-of-use assets	15.1 (d)	**37,746**	48,122
Intangible assets	13	**65,193**	82,538
Property, plant and equipment	14	**55,191**	56,092
Deferred tax assets	16	**352**	13,534
Total assets		**25,767,869**	22,828,813
LIABILITIES			
Deposits from customers	17	**21,501,366**	18,940,552
Deposits and placements of banks and other financial institutions	19	**98,346**	6,303
Bills and acceptances payable	20	**6,310**	8,444
Islamic derivative financial liabilities	6	**167,334**	77,546
Other liabilities	21	**88,541**	53,284
Lease liabilities	15.1 (a)	**41,641**	51,659
Provision for zakat and taxation	22	**4,378**	9,528
Recourse obligation on financing sold to Cagamas	23	**444,141**	459,633
Deferred tax liabilities	16	**11,826**	-
Subordinated sukuk	24 (a)	**250,642**	250,532
Senior sukuk	24 (b)	**502,692**	502,517
Total liabilities		**23,117,217**	20,359,998

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

		Group	
	Note	31 December 2020 RM'000	31 December 2019 RM'000
SHAREHOLDERS' EQUITY			
Share capital	25	**1,195,000**	1,195,000
Reserves	26	**1,455,652**	1,273,815
Total shareholders' equity		**2,650,652**	2,468,815
Total liabilities and shareholders' equity		**25,767,869**	22,828,813
Restricted investment accounts	18 (a)	**-**	20,000
Total Islamic banking asset and asset under management		**25,767,869**	22,848,813
Commitments and contingencies	45	**6,917,484**	6,596,494
Capital adequacy*	50		
CET 1 capital ratio		**15.486%**	15.998%
Total capital ratio		**17.955%**	18.653%

* Capital adequacy ratios are computed after taking into account the credit, market and operational risks.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

		Bank	
	Note	31 December 2020 RM'000	31 December 2019 RM'000
ASSETS			
Cash and short-term funds	4 (a)	**2,933,172**	1,011,225
Cash and placements with financial institutions	4 (b)	**30,417**	53,925
Financial investments at fair value through profit or loss	5 (i)	**313,337**	308,793
Financial investments at fair value through other comprehensive income	5 (ii)	**3,796,498**	4,602,399
Financial investments at amortised cost	5 (iii)	**105,544**	103,162
Islamic derivative financial assets	6	**47,820**	21,859
Financing of customers	7	**18,110,202**	15,857,343
Other assets	9	**112,345**	40,780
Statutory deposits with Bank Negara Malaysia	10	**95,255**	568,768
Investment in subsidiaries	11	**13,159**	13,159
Investment properties	12	**55,889**	53,063
Intangible assets	13	**64,977**	82,427
Right-of-use assets	15.1 (d)	**31,588**	41,466
Property, plant and equipment	14	**55,156**	56,064
Deferred tax assets	16	**-**	13,250
Total assets		**25,765,359**	22,827,683
LIABILITIES			
Deposits from customers	17	**21,514,158**	18,955,006
Deposits and placements of banks and other financial institutions	19	**98,346**	6,303
Bills and acceptances payable	20	**6,310**	8,444
Islamic derivative financial liabilities	6	**167,334**	77,546
Other liabilities	21	**89,073**	52,316
Lease liabilities	15.1 (a)	**34,018**	43,823
Provision for zakat and taxation	22	**4,280**	9,272
Recourse obligation on financing sold to Cagamas	23	**444,141**	459,633
Deferred tax liabilities	16	**11,826**	-
Subordinated sukuk	24 (a)	**250,642**	250,532
Senior sukuk	24 (b)	**502,692**	502,517
Total liabilities		**23,122,820**	20,365,392

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

		Bank	
	Note	31 December 2020 RM'000	31 December 2019 RM'000
SHAREHOLDERS' EQUITY			
Share capital	25	**1,195,000**	1,195,000
Reserves	26	**1,447,539**	1,267,291
Total shareholders' equity		**2,642,539**	2,462,291
Total liabilities and shareholders' equity		**25,765,359**	22,827,683
Restricted investment accounts	18 (a)	-	20,000
Total Islamic banking asset and asset under management		**25,765,359**	22,847,683
Commitments and contingencies	45	**6,917,484**	6,596,494
Capital adequacy*	50		
CET 1 capital ratio		**15.385%**	15.895%
Total capital ratio		**17.858%**	18.555%

* Capital adequacy ratios are computed after taking into account the credit, market and operational risks.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

	Note	Group For the twelve months ended 31 December 2020 RM'000	Group For the nine months ended 31 December 2019 RM'000 (Note 1)	Bank For the twelve months ended 31 December 2020 RM'000	Bank For the nine months ended 31 December 2019 RM'000 (Note 1)
Income derived from investment of depositors' funds and others	27	**1,134,848**	945,908	**1,134,848**	945,908
Income derived from investment of investment account funds	28	**369**	113	**369**	113
Income derived from investment of shareholders' funds	29	**36,179**	11,526	**31,275**	8,064
Allowance for impairment on financing	30	**(80,067)**	(21,587)	**(80,067)**	(21,587)
Allowance for impairment losses on financial investments, net	31	**(36)**	(3,066)	**(36)**	(2,466)
(Allowance for)/write-back of impairment losses on other financial assets, net	32	**(376)**	1,204	**(376)**	1,204
Other expenses directly attributable to the investment of the depositors and shareholders' funds		**(18,814)**	(7,329)	**(18,814)**	(7,329)
Total distributable income		**1,072,103**	926,769	**1,067,199**	923,907
Income attributable to depositors	33	**(426,135)**	(407,832)	**(426,396)**	(408,077)
Total net income		**645,968**	518,937	**640,803**	515,830
Personnel expenses	34	**(232,660)**	(178,288)	**(230,592)**	(176,597)
Other overheads and expenditures	37	**(172,917)**	(150,193)	**(173,797)**	(150,083)
Finance costs	38	**(65,623)**	(50,143)	**(65,198)**	(49,818)
Profit before zakat and taxation		**174,768**	140,313	**171,216**	139,332
Zakat	39	**(3,352)**	(3,770)	**(3,282)**	(3,706)
Taxation	40	**1,441**	(37,737)	**3,334**	(37,215)
Profit for the year		**172,857**	98,806	**171,268**	98,411
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	41	**14.47**	8.27		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

	Note	Group		Bank	
		For the twelve months ended 31 December 2020 RM'000	For the nine months ended 31 December 2019 RM'000 (Note 1)	For the twelve months ended 31 December 2020 RM'000	For the nine months ended 31 December 2019 RM'000 (Note 1)
Profit for the year		**172,857**	98,806	**171,268**	98,411
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss					
Net gain on financial investments at fair value through other comprehensive income		**9,789**	19,558	**9,789**	19,558
- Net gain on change in fair value		**66,947**	70,017	**66,947**	70,017
- Changes in expected credit losses	5 (ii)	**(38)**	(3)	**(38)**	(3)
- Income tax effect	16	**(86)**	(6,156)	**(86)**	(6,156)
- Realised gain transferred to profit or loss on disposal of debts instruments	27 & 29	**(57,034)**	(44,300)	**(57,034)**	(44,300)
Exchange fluctuation reserve		**(835)**	284	**(835)**	285
Items that may not be reclassified subsequently to profit or loss					
Net unrealised gain on equity securities at fair value through other comprehensive income		**26**	1,016	**26**	1,016
Other comprehensive income for the year, net of tax		**8,980**	20,858	**8,980**	20,859
Total comprehensive income for the year		**181,837**	119,664	**180,248**	119,270

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

Group	Ordinary shares RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000	Fair value through other comprehensive income reserve RM'000	Retained profits RM'000	Total equity RM'000
	Non-Distributable				Distributable	
At 1 January 2020	**1,195,000**	**62,676**	**(133)**	**18,008**	**1,193,264**	**2,468,815**
Profit for the year	**-**	**-**	**-**	**-**	**172,857**	**172,857**
Other comprehensive income for the year	**-**	**-**	**(835)**	**9,815**	**-**	**8,980**
Total comprehensive income for the year	**-**	**-**	**(835)**	**9,815**	**172,857**	**181,837**
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	**-**	**-**	**-**	**(9,583)**	**9,583**	**-**
Transfer from regulatory reserve	**-**	**(17,265)**	**-**	**-**	**17,265**	**-**
At 31 December 2020	**1,195,000**	**45,411**	**(968)**	**18,240**	**1,392,969**	**2,650,652**
At 1 April 2019						
- as previously stated	1,195,000	63,585	(417)	(1,515)	1,094,766	2,351,419
- effect of adopting MFRS 16	-	-	-	-	(2,268)	(2,268)
At 1 April 2019, as restated	1,195,000	63,585	(417)	(1,515)	1,092,498	2,349,151
Profit for the year	-	-	-	-	98,806	98,806
Other comprehensive income for the period	-	-	284	20,574	-	20,858
Total comprehensive income for the period	-	-	284	20,574	98,806	119,664
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(1,051)	1,051	-
Transfer from regulatory reserve	-	(909)	-	-	909	-
At 31 December 2019	1,195,000	62,676	(133)	18,008	1,193,264	2,468,815

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

	Non-Distributable				Distributable	
Bank	**Ordinary shares RM'000**	**Regulatory reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Fair value through other comprehensive income reserve RM'000**	**Retained profits RM'000**	**Total equity RM'000**
At 1 January 2020	**1,195,000**	**62,676**	**(132)**	**18,008**	**1,186,739**	**2,462,291**
Profit for the year	**-**	**-**	**-**	**-**	**171,268**	**171,268**
Other comprehensive income for the year	**-**	**-**	**(835)**	**9,815**	**-**	**8,980**
Total comprehensive income for the year	**-**	**-**	**(835)**	**9,815**	**171,268**	**180,248**
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	**-**	**-**	**-**	**(9,583)**	**9,583**	**-**
Transfer from regulatory reserve	**-**	**(17,265)**	**-**	**-**	**17,265**	**-**
At 31 December 2020	**1,195,000**	**45,411**	**(967)**	**18,240**	**1,384,855**	**2,642,539**
At 1 April 2019						
- as previously stated	1,195,000	63,585	(417)	(1,515)	1,087,939	2,344,592
- effect of adopting MFRS 16	-	-	-	-	(1,571)	(1,571)
At 1 April 2019, as restated	1,195,000	63,585	(417)	(1,515)	1,086,368	2,343,021
Profit for the year	-	-	-	-	98,411	98,411
Other comprehensive income for the period	-	-	285	20,574	-	20,859
Total comprehensive income for the period	-	-	285	20,574	98,411	119,270
Transfer of fair value changes recognised for equity instrument (elected as FVOCI) upon derecognition	-	-	-	(1,051)	1,051	-
Transfer from regulatory reserve	-	(909)	-	-	909	-
At 31 December 2019	1,195,000	62,676	(132)	18,008	1,186,739	2,462,291

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

	Note	Group For the twelve months ended 31 December 2020 RM'000	Group For the nine months ended 31 December 2019 RM'000 (Note 1)	Bank For the twelve months ended 31 December 2020 RM'000	Bank For the nine months ended 31 December 2019 RM'000 (Note 1)
Cash flows from operating activities					
Profit before zakat and taxation		**174,768**	140,313	**171,216**	139,332
Adjustment for:					
Fair value gain of financial liabilities	29 (b)	**(8,859)**	-	**(8,859)**	-
Amortisation of intangible assets	37	**33,213**	25,570	**33,213**	25,558
Depreciation of property, plant and equipment	37	**11,375**	9,810	**11,368**	9,805
Gain/(loss) on sale of property, plant and equipment	29	**21**	(11)	**21**	(11)
Depreciation of right-of-use assets	37	**12,230**	9,742	**11,751**	9,301
Amortisation of cost on subordinated sukuk and senior sukuk issued		**200**	150	**200**	150
Property, plant and equipment written off	37	**7**	26	**7**	26
Intangible assets written off	37	**233**	-	**233**	-
Amortisation of premium (net)	27 & 29	**28,150**	305	**28,150**	305
Net gain from sale of financial investments at fair value through other comprehensive income	27 & 29	**(57,034)**	(44,300)	**(57,034)**	(44,300)
Net (gain)/loss from sale of financial investments designated at FVTPL	27 & 29	**(460)**	14	**(460)**	8
Unrealised (gain)/loss on revaluation of financial investment designated at FVTPL	27 & 29	**(6,194)**	3,683	**(6,194)**	3,538
Net gain on revaluation of foreign exchange transaction	29	**(19,138)**	(8,125)	**(19,138)**	(8,125)
Net loss from foreign exchange derivatives	29	**10,405**	4,829	**10,405**	4,829
Unrealised loss on revaluation of Islamic profit rate swap	29	**53,422**	27,549	**53,422**	27,549
Unrealised gain on revaluation of hedged items	29	**(59,901)**	(31,262)	**(59,901)**	(31,262)
Impairment losses on investments securities	31	**36**	3,066	**36**	3,066
Impairment writeback on investment in a subsidiary	31	**-**	-	**-**	(600)
Fair value adjustments of investment properties	29	**(1,954)**	1,918	**(1,954)**	1,918
Net allowance for impairment on financing	30	**99,642**	51,925	**99,642**	51,925
Financing written off	30	**4,680**	2,687	**4,680**	2,687
(Allowance for)/write-back of impairment on other financial assets, net	32	**376**	(1,204)	**376**	(1,204)
Finance costs	38	**65,623**	50,143	**65,198**	49,818
Gross dividend income	29	**(42)**	(59)	**(3,000)**	(1,000)
Operating profit before working capital changes		**340,799**	246,769	**333,378**	243,313

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

	Note	Group For the twelve months ended 31 December 2020 RM'000	Group For the nine months ended 31 December 2019 RM'000 (Note 1)	Bank For the twelve months ended 31 December 2020 RM'000	Bank For the nine months ended 31 December 2019 RM'000 (Note 1)
Cash flows from operating activities (cont'd.)					
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		**(36,366)**	(1,836)	**(36,366)**	(1,836)
Financial investments portfolio		**(26,237)**	(52,645)	**(26,237)**	(46,489)
Financing of customers		**(2,315,477)**	(560,311)	**(2,313,757)**	(554,029)
Statutory deposits with Bank Negara Malaysia		**473,513**	130,507	**473,513**	130,507
Other assets		**7,745**	(53,918)	**7,726**	(49,051)
Increase/(decrease) in operating liabilities:					
Deposits from customers		**2,560,814**	(203,566)	**2,559,152**	(212,899)
Deposits and placements of banks and other financial institutions		**100,901**	(444)	**100,901**	(444)
Islamic derivative financial liabilities		**36,365**	1,836	**36,365**	1,836
Bills and acceptances payable		**(2,134)**	(7,234)	**(2,134)**	(7,234)
Other liabilities		**37,194**	36,452	**38,630**	31,737
Cash generated/(used) in operations		**1,177,117**	(464,389)	**1,171,171**	(464,591)
Finance cost on lease liabilities paid	38	**(2,509)**	(2,205)	**(2,084)**	(1,880)
Zakat paid		**(3,185)**	(6,250)	**(3,110)**	(6,195)
Tax (paid)/refund		**(42,197)**	15,269	**(40,082)**	15,589
Net cash generated from/(used in) operating activities		**1,129,226**	(457,575)	**1,125,895**	(457,077)
Cash flows from investing activities					
Proceeds from disposal of investment in securities		**6,859,992**	9,120,983	**6,859,992**	9,119,201
Purchase of financial investment in securities		**(5,972,940)**	(8,320,555)	**(5,972,897)**	(8,320,395)
Proceeds from disposal of property, plant and equipment		**410**	147	**410**	147
Purchase of property, plant and equipment	14	**(10,912)**	(8,021)	**(10,898)**	(7,989)
Purchase of intangible assets	13	**(16,101)**	(24,084)	**(15,996)**	(24,085)
Purchase of investment properties	12	**(872)**	(9,678)	**(872)**	(9,678)
Dividend income	29	**42**	59	**3,000**	1,000
Net cash generated from investing activities		**859,619**	758,851	**862,739**	758,201

	Note	Group For the twelve months ended 31 December 2020 RM'000	Group For the nine months ended 31 December 2019 RM'000 (Note 1)	Bank For the twelve months ended 31 December 2020 RM'000	Bank For the nine months ended 31 December 2019 RM'000 (Note 1)
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		**(42,000)**	(42,000)	**(42,000)**	(42,000)
Payment of lease liabilities		**(11,887)**	(8,928)	**(11,676)**	(8,778)
Payment of principal for recourse obligation on financing sold to Cagamas		**(15,484)**	(11,463)	**(15,484)**	(11,463)
Payment of finance cost for recourse obligation on financing sold to Cagamas		**(21,035)**	(16,243)	**(21,035)**	(16,243)
Net cash used in financing activities		**(90,406)**	(78,634)	**(90,195)**	(78,484)
Net increase in cash and cash equivalents		**1,898,439**	222,642	**1,898,439**	222,642
Cash and cash equivalents at beginning of year		**1,065,150**	842,508	**1,065,150**	842,508
Cash and cash equivalents at end of year		**2,963,589**	1,065,150	**2,963,589**	1,065,150
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	**2,933,172**	1,011,225	**2,933,172**	1,011,225
Cash and placements with financial institutions	4 (b)	**30,417**	53,925	**30,417**	53,925
		2,963,589	1,065,150	**2,963,589**	1,065,150

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

(a) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's and the Bank's 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 statement of cash flows as cash flows from financing activities.

Group and Bank	Sukuk For the twelve months ended 31 December 2020 RM'000	Sukuk For the nine months ended 31 December 2019 RM'000 (Note 1)	Recourse obligation on financing sold to Cagamas For the twelve months ended 31 December 2020 RM'000	Recourse obligation on financing sold to Cagamas For the nine months ended 31 December 2019 RM'000 (Note 1)
At 1 April 2019/1 January 2020	**753,049**	763,199	**459,633**	471,102
Net changes from financing cash flows:				
Dividend paid on Islamic subordinated sukuk	**(42,000)**	(42,000)	**-**	-
Payment of principal for recourse obligation on financing sold to Cagamas	**-**	-	**(15,484)**	(11,463)
Payment of finance cost for recourse obligation on financing sold to Cagamas	**-**	-	**(21,035)**	(16,243)
	711,049	721,199	**423,114**	443,396
Other changes:				
Amortisation of cost on sukuk issued	**200**	150	**-**	-
Finance cost	**42,086**	31,700	**21,028**	16,237
At end of the financial year	**753,335**	753,049	**444,142**	459,633

(a) Reconciliation of liabilities arising from financing activities:

	Lease Liabilities			
	Group		Bank	
	For the twelve months ended 31 December 2020 RM'000	For the nine months ended 31 December 2019 RM'000 (Note 1)	For the twelve months ended 31 December 2020 RM'000	For the nine months ended 31 December 2019 RM'000 (Note 1)
At 1 April 2019/1 January 2020	**51,659**	-	**43,823**	-
Effect of adopting MFRS 16	**-**	53,425	**-**	45,357
At 1 April 2019, as restated	**51,659**	53,425	**43,823**	45,357
Net changes from financing cash flows:				
Payments for the profit portion of lease liabilities	**(2,509)**	(2,205)	**(2,083)**	(1,878)
Payments for the principal portion of lease liabilities	**(11,887)**	(8,928)	**(11,674)**	(8,778)
New finance lease	**-**	769	**-**	769
	37,263	43,061	**30,066**	35,470
Other changes:				
Finance cost	**2,509**	2,205	**2,083**	1,878
Lease modification	**3,293**	6,587	**3,293**	6,669
Currency translation	**(1)**	-	**(1)**	-
Disposals	**(1,423)**	(194)	**(1,423)**	(194)
At end of the financial year	**41,641**	51,659	**34,018**	43,823

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

1. CORPORATE INFORMATION

Bank Muamalat Malaysia Berhad (the "Bank") is principally engaged in all aspects of Islamic banking business and related financial services in accordance with Shariah principles.

The principal activities of the subsidiaries are as disclosed in Note 11.

There have been no significant changes in the nature of these activities during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Financial Service Act, 2013 ("IFSA"), incorporated and domiciled in Malaysia. The registered office of the Bank is located at 30th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

The holding and ultimate holding companies of the Bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively, both of which are incorporated in Malaysia. DRB-HICOM Berhad, is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad. DRB-Hicom Berhad holds 70% of the Bank's shares, whilst the remaining 30% is held by Khazanah Nasional Berhad.

Following the approval by the Board of Directors, in its resolution dated 1 August 2019, on the change of the financial year end from 31 March to 31 December, the previous financial period covered in the financial statements was for a period of nine months from 1 April 2019 to 31 December 2019. Consequently, the comparatives for the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows as well as their notes to the financial statements of the Group and the Bank are not comparable to those of the current financial year ended 31 December 2020.

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the Board of Directors on 17 March 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000) except when otherwise indicated.

The financial statements of the Group and of the Bank are prepared under the historical cost basis, unless otherwise indicated in the respective accounting policies highlighted in the following pages.

The Group and the Bank present the statements of financial position in order of liquidity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2020.

The financial statements of the Bank's subsidiaries are prepared for the same reporting date as the Bank, using consistent accounting policies to classify transactions and events in similar circumstances. Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank obtains control and continue to be consolidated until the date that such control effectively ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group controls an investee, if and only if, the Group has the following three (3) elements of control:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three (3) elements of control.

Generally, there is a presumption that majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group losses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the statement of profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to statement of profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for on the date when control is lost.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in statement of profit or loss.

(b) Financial assets

(i) Initial recognition and subsequent measurement

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the assets' contractual cash flow characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The categories of financial assets under MFRS 9 are as follows:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

(1) Financial assets at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP") on the principal amount outstanding; and
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The details of these conditions are outlined below:

(i) The SPPP test

As a first step of its classification process, the Group and the Bank assess the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there were payments of principal or amortisation of the premium/discount).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Financial assets (cont'd.)

(i) Initial recognition and subsequent measurement (cont'd.)

(1) Financial assets at amortised cost (cont'd.)

The details of these conditions are outlined below: (cont'd.)

(i) The SPPP test (cont'd.)

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. To make the SPPP assessment, the Group and the Bank apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Business model assessment

The Group and the Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Group and the Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The way the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- The way the managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales which are also important aspects of the Group's and the Bank's assessment.
- The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Included in financial assets at amortised cost are cash and short-term funds, cash and placements with financial institutions, financial investments, financing of customers, statutory deposits and a portion of other assets as disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Financial assets (cont'd.)

(i) Initial recognition and subsequent measurement (cont'd.)

(2) Financial assets at fair value through other comprehensive income ("FVOCI")

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The contractual terms of the financial assets meet the SPPP test; and
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the Other Comprehensive Income ("OCI"). Profit income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed off on a first–in-first–out basis. Upon derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial assets at FVOCI are certain equity and debt instruments.

(3) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are those that are held-for-trading and have been either designated by the Group and the Bank upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9.

The Group and the Bank designate an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

  Included in financial assets at FVTPL are financial investments, financial assets designated upon initial recognition, financing of customers and derivatives.

  Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the profit or loss under the caption of 'other operating income'.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Financial assets (cont'd.)

(ii) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from asset have expired.
- The Group and the Bank have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:
  - The Group and the Bank have transferred substantially all the risks and rewards of the asset; or
  - The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the financial asset.

When the Group and the Bank have transferred their rights to receive cash flows from a financial asset or have entered into a pass through arrangement, and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the Group's and the Bank's continuing involvement in the financial asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

(iii) Impairment of financial assets

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model. The ECL model applies to financial assets measured at amortised cost or at FVOCI (with recycling to profit or loss), irrevocable financing commitments and financial guarantee contracts, and financing of customers and debt instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 117 Leases.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Financial assets (cont'd.)

(iii) Impairment of financial assets

The measurement of ECL involves increased complexity and judgement that include:

(1) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is critical in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The Group and the Bank apply a 3-stage approach based on the change in credit quality since initial recognition:

3-Stage Approach	Stage 1	Stage 2	Stage 3
	Performing	Under-perfoming	Non-performing

ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL

Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets

Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

(2) ECL Measurement

There are three (3) main components to measure ECL, which include: (i) probability of default ("PD") model; (ii) loss given default ("LGD") model; and (iii) exposure at default ("EAD") model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank have decided to continue to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant.

(3) Expected life

Lifetime ECL must be measured over the expected life of the financial asset. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments such as overdraft. The expected life for these revolving facilities generally refers to their behavioural life.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Financial assets (cont'd.)

(iii) Impairment of financial assets (cont'd.)

(4) Forward looking information

ECL are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward looking information is based on the collation of macroeconomic data obtained from various external sources, such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in the ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:
- Consumer Price Index;
- Unemployment rates;
- House Price Indices; and
- Overnight Policy Rate.

The Bank applies the following three (3) alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail; and

Upside and Downside scenarios: These scenarios are set relative to the base scenario, reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement from current economic conditions.

(5) Financial investments at FVOCI

The ECL for financial investments measured at FVOCI does not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Financial assets (cont'd.)

(iii) Impairment of financial assets (cont'd.)

(6) Valuation of collateral held as security for financial assets

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:
- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed; and
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

(7) Impairment process – written-off accounts

Where a financing is uncollectible, it is written-off against the related allowances for impairment. Such financing are written-off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written-off are recognised in the statements of profit or loss.

(8) Impairment of other financial assets

The Group and the Bank apply the MFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for other financial assets. The simplified approach excludes tracking of changes in credit risk.

(iv) Determination of fair value

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. For financial instruments with observable market prices, which are traded in active markets, the fair values are based on their quoted market price or dealer price quotations.

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Bank generally uses widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held; with exception to investment in private equity funds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Financial liabilities

(i) Date of recognition

All financial liabilities are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provision of the instruments.

(ii) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortised cost.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held-for-trading include derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria. Derivative liabilities are initially and subsequently measured at fair value, with any resultant gains or losses recognised in statements of profit or loss. Net gains or losses on derivatives include exchange differences.

(2) Financial liabilities at amortised cost

The Group's and the Bank's financial liabilities at amortised cost include deposits from customers, deposits and placements of banks and other financial institutions, debt securities, payables, bills and acceptances payable, recourse obligation on financing sold to Cagamas and other liabilities.

(a) Deposits from customers, and deposits and placements of banks and other financial institutions

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

(b) Islamic debt securities

Issued Islamic debt securities are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's and the Bank's debt securities consist of subordinated sukuk and senior sukuk.

These Islamic debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, all issued Islamic debt securities are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statement of profit or loss over the period of the financing on an effective profit rate method.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Financial liabilities (cont'd.)

(ii) Initial recognition and subsequent measurement (cont'd.)

(2) Financial liabilities at amortised cost (cont'd.)

(c) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective profit rate method.

(d) Bills and acceptances payable

Bills and acceptances are recognised at amortised cost using effective profit rate method. Payables represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(e) Other liabilities

Other liabilities are stated at cost, which is the fair value of the consideration expected to be paid in the future for goods and services received.

(f) Recourse obligation on financing sold to Cagamas

Recourse obligations on financing sold to Cagamas are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statements of profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Derivative instruments and hedge accounting

(i) Derivative instruments

The Group and the Bank use derivatives such as profit rate swap and forward foreign exchange contracts.

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and equivalent to the market premium paid or received for purchased or written options. The derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of the derivatives are recognised in the statements of profit or loss unless these form part of a hedging relationship.

(ii) Hedge accounting

The Group and the Bank have elected an accounting policy choice under MFRS 9 to continue to apply the hedge accounting requirements under MFRS 139 on the adoption of MFRS 9 on 1 April 2018.

The Group and the Bank use derivative instruments to manage exposures to profit rate and foreign currency risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

(1) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the statements of profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the statements of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective profit rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statements of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Derivative instruments and hedge accounting (cont'd.)

(ii) Hedge accounting (cont'd.)

(2) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income into cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in statements of profit or loss. When the hedged cash flow affects the statements of profit or loss, the gain or loss on the hedging instrument previously recognised in other comprehensive income are reclassified from equity and is recorded in the corresponding income or expense line of the statements of profit or loss.

When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss exist in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the statements of profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statements of profit or loss.

The Group and the Bank did not apply cash flow hedge as at the financial year end.

(e) Foreclosed properties

Foreclosed properties are those properties acquired in full or partial satisfaction of financing and are stated at the lower of cost and net realisable value and reported within other assets.

(f) Investment properties

Investment properties, comprising principally land and shoplots, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Bank.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open-market value determined annually by registered independent valuer having appropriate recognised professional qualification. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and the Bank use alternative valuation methods such as recent prices of less active markets or discounted cash flow projections. Changes in fair values are recorded in statement of profit or loss in the year in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use or no future economic benefits are expeted from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in statement of profit or loss in the period of the retirement or upon disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(g) Intangible assets

Intangible assets include computer software and software under development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, except for software under development which are not subject to amortisation.

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life. Intangibles with finite lives or not yet available for use are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are accounted for by changing the amortisation year or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statements of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation of intangible asset is provided for on a straight-line basis over the estimated useful lives of the assets, as follows:

- Computer software is amortised over its estimated finite useful lives ranging from three (3) to ten (10) years.

(h) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and therefore is not depreciated. Work-in-progress property, plant and equipment are also not depreciated until the assets are ready for their intended use.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(h) Property, plant and equipment (cont'd.)

Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings on freehold land	33 years
Buildings on leasehold land and leasehold land	33 years or remaining life of the lease, whichever is shorter
Office furniture and equipment	6 to 7 years
Buildings improvements and renovations	5 years
Motor vehicles	5 years
Computer equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in statements of profit or loss.

(i) Leases

(a) Classification

At inception of a contract, the Group and the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration.

(b) Recognition and initial measurement

(i) The Group and the Bank as lessee

The Group and the Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use ("ROU") asset

The Group and the Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurementof lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets, as follows:

Office building	2 to 3 years

If ownership of the leased asset is transferred to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment in accordance with Note 2.3(l) on impairment of non-financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Leases (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(i) The Group and the Bank as lessee (cont'd.)

Lease liabilities

At the commencement date of the lease, the Group and the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank uses its incremental financing rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group and the Bank applies the short-term lease recognition exemption to its short-term leases of office building (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office building that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(ii) The Group and the Bank as lessor

Leases in which the Group and the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(j) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries, and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the date of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in statement of profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under exchange fluctuation reserve in equity.

The exchange fluctuation reserve is reclassified from equity to statement of profit or loss of the Group and of the Bank on disposal of the foreign operations.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in statements of profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

The results and financial position of the Group's and the Bank's foreign operations, whose functional currencies are not the presentation currency, are translated into the presentation currency at average exchange rates for the year, which approximates the exchange rates at the date of the transaction, and at the closing exchange rate as at reporting date respectively. All resulting exchange differences are taken directly to other comprehensive income and are subsequently recognised in the statements of profit or loss upon disposal of the foreign operations.

(k) Provision for liabilities

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(l) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Bank make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written-down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in the statements of profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in statements of profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short term deposits with original maturity tenor of less than three (3) months that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(n) Contingent liabilities and contingent assets

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the statements of profit or loss, as they are incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(p) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the income can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Profit and income from financing

For all financial assets measured at amortised cost, profit bearing financial assets classified as FVOCI and financial assets designated at FVTPL, profit income or expense is recorded using the effective profit rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, payment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

For impaired financial assets, profit/financing income continues to be recognised using the effective profit rate, to the extent that it is probable that the profit can be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(1) Bai' Bithaman Ajil ("BBA")

This contract involves the purchase and sale of an asset by the Bank to the customer on a deferred payment basis either to be paid in lump sum or instalment basis within an agreed period of time at a price which includes a profit margin agreed by both parties. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(2) Ijarah Thumma Al-Bai'

This contract involves lease ending with transfer of ownership from the lessor to the lessee in the form of sale transaction based on agreed terms and conditions. There are two (2) contracts involved in this arrangement. The first contract is Ijarah where the lessee enjoys the usufruct of the assets for an agreed rental during an agreed period of time while the ownership remains with the lessor. The second contract is the sale contract which may take place at the end of the Ijarah period or at any point of time during the period subject to the agreed terms and conditions between the contracting parties. Financing income is recognised on effective profit rate basis over the lease term.

(3) Bai' Inah

This contract involves sale and purchase of an asset whereby the Bank sells an asset to the customer on a deferred basis and subsequently buys back the asset at a cash price lower than the deferred sales price. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(4) Tawarruq

This contract relates to the arrangement that involves a purchase of an asset or commodity based on Murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in the statements of profit or loss, as they are incurred. Financing income is recognised on effective profit rate basis over the expected life of the contract based on the principal amount outstanding.

(5) Bai Al-Dayn

This contract involves the sale and purchase of securities or debt certificates which conforms with the Shariah ruling. Securities or debt certificates are issued by a debtor to a creditor as evidence of indebtedness. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(6) Murabahah

This contract involves the sale of goods or assets by the Bank at a mark-up price to the customer, which includes a profit margin as agreed by both parties. The price, costs and profit margin in Murabahah shall be made transparent and agreeable by both parties. This contract applies to the Bank's financing and advances products whilst the Bank's Commodity Murabahah term deposit product is based on the contract of Murabahah and Tawarruq.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

Profit attributable to depositors is recognised as an expense in statements of profit or loss, as it incurred. Profit to be distributed is based on the expected profit rate, which is quoted to the customer on the placement date.

(7) Istisna'

Istisna' contract can be established between a Bank and contractor, developer, or producer that allows the Bank to make progress payments as construction progresses. Istisna' financing is provided in the form of advance progress payments to the customer who builds, manufactures, constructs or develops the object of sale. Upon completion of the project, the asset is delivered to parties who have earlier on agreed to take delivery of the asset. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(8) Qard

Qard is a contract of loan between two (2) parties on the basis of social welfare or to fulfil a short-term financial need of the borrower. The amount of repayment must be equivalent to the amount borrowed. It is, however, legitimate for a borrower to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract. As such, no accrual of income is recognised for this contract.

(9) Musharakah Mutanaqisah

In Musharakah Mutanaqisah contract, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of Ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of reducing balance on a time apportioned basis that reflects the effective yield of the asset.

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(10) Rahnu

In Ar-Rahnu transaction, a valuable asset such as gold and jewellery is used as a collateral for a debt. The collateral will be used to settle the debt when a debtor is in default. Income is recognised when the Bank charges a safekeeping fee upon which are to be paid in full upon expiry of the contract, redemption or extension of period of Ar-Rahnu, whichever is applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(p) Income recognition (cont'd.)

(ii) Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, guarantee fees and brokerage fees are recognised as income based on accrual on time apportionment method. Fees from advisory and corporate finance activities are recognised at net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from securities is recognised when the Bank's right to receive payment is established.

(q) Income and deferred taxes

Income tax for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial position date. Deferred tax is recognised as income or expense and included in the statements of profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Zakat

Zakat represents business zakat payable by the Group and the Bank to comply with the principles of Shariah and as approved by the Shariah Committee.The Bank only pays zakat on its business and does not pay zakat on behalf of its depositors or shareholders. Zakat provision is calculated based on capital growth model method.

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(s) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial investments at FVOCI and derivatives, and non-financial assets such as investment properties at fair value at each statement of financial position date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would be willing to use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement, which is directly (i.e. prices) or indirectly (i.e. derived from prices) observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments and further details are disclosed in Note 47.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies (cont'd.)

(t) Government financing scheme and government financing facility

Financing under a government scheme is recognised and measured in accordance with MFRS 9 Financial Instruments, with the benefit at a below market and concession rate is measured as the difference between the initial carrying amount or fair value of the financing and the amount received. Government financing facility is measured in accordance with the amount received.

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognized, when the required conditions are fulfilled in accordance with MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance.

2.4 Changes in accounting policies and disclosures

The significant accounting policies and methods of computation applied by the Group and the Bank are consistent with those adopted in the most recent audited financial statements for the financial period ended 31 December 2019 except for adoption of the following MFRS and Interpretations of the Issues Committee ("IC Interpretations") during the current financial year with effective dates as follows:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Business Combinations-Definition of Business	1 January 2020
Amendments to MFRS 101: Presentation of Financial Statements-Definition of Material	1 January 2020
Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 16: Leases-Covid-19-related Rent Concessions	1 June 2020

The adoption of the MFRS and IC Interpretations above does not have material impactt ot he financial statements of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant changes in regulatory requirements

(a) Revised Policy Document on Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM

On 9 December 2020, BNM issued the revised policy document on Capital Adequacy Framework for Islamic Banks (Capital Components), which came into effect immediately and shall be applied prospectively. The revised policy document applies to financial institutions in Malaysia which covers licensed Islamic banks, licensed banks carrying on Islamic banking business and financial holding companies. The revised policy document superseded policy documents issued by BNM previously, namely, Capital Adequacy Framework for Islamic Banks (Capital Components) dated 5 February 2020 and Guidelines on the Recognition and Measurement of Profit Sharing Investment Account as Risk Absorbent dated 22 July 2011.

The revised policy document was updated to include:

(a) Additional capital buffer requirements on the HLA requirements for financial institution that is designated as aD-SIB; and

(b) The transitional arrangements for regulatory capital treatment of accounting provisions. Financial institution which elect to apply the transitional arrangements are allowed to add back a portion of the Stage 1 and Stage 2 provisions for ECL to Common Equity Tier 1 Capital over a four-year period from financial year beginning 2020 or a three-year period from financial year beginning 2021. This is consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions – interim approach and transitional arrangement" (March 2017) and "Measures to reflect the impact of COVID-19" (April 2020).

For the financial year ended 31 December 2020, the Bank does not elect to apply the transitional arrangement and will reassess the position in 2021. The application of the revised policy documents do not have any significant impact to the financial statements of the Bank.

(b) Measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19

During the financial year ended 31 December 2020, BNM had announced various COVID-19 assistance programmes which aimed to support economy at large and provide relief to all affected individuals, SMEs and corporations. The support measures include the following:

<u>Automatic six-month moratorium</u>

The automatic moratorium applies to ringgit-denominated financing that are not in arrears exceeding 90 days as of 1 April 2020. However, the moratorium does not apply to credit card balances. For outstanding credit card balances, customers will be offered an option to convert the outstanding balances into term-financing of not more than three years.

The moratorium did not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment. The financial impact of the moratorium is reflected at the financing income of the Bank (see Notes 27(a) and 29(b)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant changes in regulatory requirements (cont'd.)

(b) Measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19 (cont'd.)

Payment assistance and classification in the Central Credit Reference Information System ("CCRIS")

Recognising the challenging environment, financial institutions are granting additional payment assistance for individuals and SMEs whose income have been affected by the pandemic, to support economic recovery and safeguard livelihood of Malaysians.

The assistance is extended to facilities approved before 1 October 2020, which are not in arrears of more than 90 days at the time a customer requests for payment assistance. The additional payment assistance will be available to eligible customers until 30 June 2021.

The payment assistance does not automatically result in stage transfer under MFRS 9 in the absence of other factors indicating evidence of significant increase in credit risk ("SICR"). Judgement and more holistic assessment of all relevant indicators and information, such as, historical payment and delinquency trend pre-COVID-19 pandemic, are applied in determining SICR. In addition, the financing that is approved under payment assistance is exempted to be reported as rescheduling and restructuring ("R&R") and credit impaired in CCRIS.

Supervisory and Prudential Measures

During the financial year ended 31 December 2020, financial institutions are allowed to operate below the minimum Net Stable Funding Ratio and Liquidity Coverage Ratio of 100%, draw down the capital conservation buffer of 2.5% and reduce the regulatory reserves held against expected losses to 0%. However, financial institutions are expected to restore their buffer to the minimum regulatory requirement by 30 September 2021.

2.6 Standards and interpretations issued but not yet effective

The Group and the Bank have not applied the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective for the Group and the Bank. The Group and the Bank intend to adopt these Standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 Profit Rate Benchmark Reform - (Phase 2)	1 January 2021
MFRS 17: Insurance Contracts	1 January 2023
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 3: Business Combinations-Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets-Onerous Contracts- Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by MASB

The directors expect that the adoption of the above-mentioned Standards will have no material impact on the financial statements of the Group and of the Bank in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on the Management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving higher degree of judgment and complexity, are as follows:

3.1 Going concern

The Management of the Group and the Bank has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Impairment of financial investments portfolio (Notes 5 and 31)

The Group and the Bank review their debt instruments at FVOCI, and financial investments at amortised cost under MFRS 9, which requires the recognition of ECL at each reporting date to reflect change in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the impairment review, the following Management's judgements are required:

(i) Determination whether the investment is impaired based on certain indicators, such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of ECL that reflect:

   (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

   (b) The time value of money; and

   (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3.3 Impairment losses on financing of customers (Notes 7 and 30)

The Group and the Bank review individually its significant financing of customers at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.3 Impairment losses on financing of customers (Notes 7 and 30) (cont'd.)

The Group's and the Bank's ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) Criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;

(ii) The segmentation of financial assets when ECL is assessed on a collective basis;

(iii) Development of ECL models, including the various formulas and the choice of inputs;

(iv) Determination of associations between macroeconomic scenarios and economic inputs, such as, unemployment levels and collateral values, and the effect on PDs, LGDs, and EADs including macroeconomic factors as disclosed in note 46(a)(iii); and

(v) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Financing that have been assessed individually but for which no impairment is required as well as all individually insignificant financing need to be assessed collectively, in groups of assets with similar credit risk characteristic. This is to determine whether impairment should be made due to incurred loss events for which there is objective evidence but effects of which are not yet evident. The collective assessment takes into account of data from the financing portfolios (such as, credit quality, levels of arrears, credit utilisation, financing to collateral ratios, etc.) and judgments on the effect of concentrations of risks (such as the performance of different individual groups).

3.4 Fair value estimation of financial investments at FVTPL and FVOCI (Notes 5(i) and 5(ii)) and derivative financial instruments (Note 6)

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement normally incorporate assumptions that other market participants would use in their valuations, including assumptions on profit rate yield curves, exchange rates, volatilities and prepayment and default rates.

3.5 Taxation (Note 40)

Significant Management's judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation being assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

4.(A) CASH AND SHORT-TERM FUNDS

	Note	Group and Bank 31 December 2020 RM'000	Group and Bank 31 December 2019 RM'000
Cash and balances with banks and other financial institutions		**9,233**	240,500
Money at call and interbank placements maturing within one month		**2,924,074**	771,173
		2,933,307	1,011,673
Allowances for impairment loss	(i)	**(135)**	(448)
		2,933,172	1,011,225

(i) Analysis of changes in allowances for impairment losses on cash and short term funds are as follows:

Group and Bank	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2020				
At 1 January 2020	**448**	**-**	**-**	**448**
Allowance made	**176**	**-**	**-**	**176**
Amount written back in respect of recoveries	**(489)**	**-**	**-**	**(489)**
At 31 December 2020	**135**	**-**	**-**	**135**
At 31 December 2019				
At 1 April 2019	309	-	-	309
Allowance made	139	-	-	139
At 31 December 2019	448	-	-	448

(B) CASH AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Note	Group and Bank 31 December 2020 RM'000	Group and Bank 31 December 2019 RM'000
Licensed Islamic banks		**30,417**	53,925

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 December 2020 for the Group and the Bank was 2.06% per annum and 56 days respectively (2019: 3.4% per annum and 63 days).

5. FINANCIAL INVESTMENTS

	Note	Group 31 December 2020 RM'000	Group 31 December 2019 RM'000	Bank 31 December 2020 RM'000	Bank 31 December 2019 RM'000
Financial investments at fair value through profit or loss	(i)	**313,337**	308,793	**313,337**	308,793
Financial investments at fair value through other comprehensive income	(ii)	**3,798,965**	4,604,824	**3,796,498**	4,602,399
Financial investments at amortised cost	(iii)	**105,544**	103,162	**105,544**	103,162
		4,217,846	5,016,779	**4,215,379**	5,014,354

	Group 31 December 2020 RM'000	Group 31 December 2019 RM'000	Bank 31 December 2020 RM'000	Bank 31 December 2019 RM'000
(i) Financial investments at fair value through profit or loss				
Unquoted securities in Malaysia:				
Private equity funds	**165,252**	169,109	**165,252**	169,109
Islamic private debt securities in Malaysia	**148,085**	139,684	**148,085**	139,684
	313,337	308,793	**313,337**	308,793
(ii) Financial investments at fair value through other comprehensive income				
Debt instruments:				
Government securities and treasury bills:				
Malaysian government investment certificates	**2,655,932**	3,082,301	**2,655,932**	3,082,301
Unquoted securities:				
Islamic private debt securities in Malaysia	**658,829**	1,356,482	**658,829**	1,356,482
Cagamas sukuk	**25,792**	51,287	**25,792**	51,287
Foreign Islamic private debt securities and sukuk	**-**	8,252	**-**	8,252
	684,621	1,416,021	**684,621**	1,416,021

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

5. FINANCIAL INVESTMENTS (CONT'D.)

	Group 31 December 2020 RM'000	Group 31 December 2019 RM'000	Bank 31 December 2020 RM'000	Bank 31 December 2019 RM'000
(ii) Financial investments at fair value through other comprehensive income (cont'd.)				
Equity instruments:				
Quoted securities in Malaysia:				
Quoted shares	**101,944**	98,196	**101,944**	98,196
Unit trusts	**2,467**	2,425	**-**	-
	104,411	100,621	**101,944**	98,196
Money market instruments:				
Negotiable Islamic debt certificates	**349,370**	-	**349,370**	-
Unquoted securities:				
Shares in Malaysia	**4,631**	5,881	**4,631**	5,881
Total financial assets at fair value through other comprehensive income	**3,798,965**	4,604,824	**3,796,498**	4,602,399

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank:

	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2020				
At 1 January 2020	**119**	**-**	**37,251**	**37,370**
Allowance made	**20**	**-**	**-**	**20**
Amount written back in respect of recoveries	**(58)**	**-**	**-**	**(58)**
Amount written off	**-**	**-**	**1,250**	**1,250**
Exchange differences	**-**	**-**	**(260)**	**(260)**
At 31 December 2020	**81**	**-**	**38,241**	**38,322**

5. FINANCIAL INVESTMENTS (CONT'D.)

(ii) Financial investments at fair value through other comprehensive income (cont'd.)

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank: (cont'd.)

	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	122	-	33,866	33,988
Allowance made	62	-	3,343	3,405
Amount written back in respect of recoveries	(66)	-	-	(66)
Exchange differences	1	-	42	43
At 31 December 2019	119	-	37,251	37,370

(iii) Financial investments at amortised cost

	Group and Bank 31 December 2020 RM'000	Group and Bank 31 December 2019 RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia	**145,515**	144,309
less: accumulated impairment losses	**(39,971)**	(41,147)
Total financial investments at amortised cost	**105,544**	103,162

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

5. FINANCIAL INVESTMENTS (CONT'D.)

(iii) Financial investments at amortised cost (cont'd.)

Movements in the allowances for impairment losses on debt instruments at fair value through other comprehensive income are as follows for the Group and the Bank:

	Stage 1 12-Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2020				
At 1 January 2019	**-**	**41,147**	**-**	**41,147**
Amount written back in respect of recoveries	**-**	**(1,176)**	**-**	**(1,176)**
At 31 December 2020	**-**	**39,971**	**-**	**39,971**
At 31 December 2019				
At 1 April 2019	1	41,419	-	41,420
Amount written back in respect of recoveries	(1)	(272)	-	(273)
At 31 December 2019	-	41,147	-	41,147

6. ISLAMIC DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	31 December 2020			31 December 2019		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
Group and Bank	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts:						
- Currency forwards Less than one year	**1,509,931**	**4,084**	**(43,920)**	1,294,988	2,784	(19,088)
- Currency swaps Less than one year	**1,679,710**	**40,343**	**(15,826)**	1,642,880	19,064	(4,299)
- Currency spot Less than one year	**136,881**	**3,393**	**(73)**	27,415	11	(66)
	3,326,522	**47,820**	**(59,819)**	2,965,283	21,859	(23,453)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	**-**	**-**	**-**	75,000	-	(916
Hedged IPRS	**1,200,000**	**-**	**(107,515)**	1,200,000	-	(53,177)
Total	**4,526,522**	**47,820**	**(167,334)**	4,240,283	21,859	(77,546)

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

	31 December 2020			31 December 2019		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
IPRS	**1,200,000**	**-**	**(107,515)**	1,200,000	-	(53,177)

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers and investment securities.

For the year ended 31 December 2020, the Group and the Bank:

(i) recognised a net loss of RM54,337,986 (31 December 2019: net loss of RM28,755,380) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM59,900,904 (31 December 2019: net gain of RM31,261,694) (Note 29); and

(ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (31 December 2019: nil) as a result of derecognition of the hedged items.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

7. FINANCING OF CUSTOMERS

(i) By type and Shariah concepts

Group 31 December 2020	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Murabahah to the Purchase Orderer RM'000	Shirkah Mutanaqisah RM'000	Rahnu (Qard) RM'000	Total financing RM'000
Cash line	-	-	3,535	566,558	-	-	-	-	-	-	-	570,093
Term financing:												
Home financing	1,580,358	-	-	3,276,125	-	-	9,600	-	-	-	-	4,866,083
Syndicated financing	-	-	-	550,719	-	-	-	-	-	-	-	550,719
Hire purchase receivables	79,331	317,223	-	-	-	-	-	-	240,256	-	-	636,810
Personal financing	58,309	-	27	4,334,639	-	-	-	-	-	-	-	4,392,975
Other term financing*	166,385	-	1	3,583,927	-	-	39,048	237	-	76,757	-	3,866,355
Trust receipts	-	-	-	-	22,581	70,397	-	-	-	-	-	92,978
Claims on customers under acceptance credits	-	-	-	-	162,297	882,001	-	-	-	-	-	1,044,298
Staff financing	34,558	-	-	62,620	-	-	-	105	-	-	-	97,283
Revolving credit	-	-	-	1,794,063	-	-	-	-	-	-	-	1,794,063
Ar-Rahnu	-	-	-	287,032	-	-	-	-	-	-	17,504	304,536
Total gross financing ^	1,918,941	317,223	3,563	14,455,683	184,878	952,398	48,648	342	240,256	76,757	17,504	18,216,193
Fair value changes arising from fair value hedge	-	-	-	91,113	-	-	-	-	-	-	-	91,113
	1,918,941	317,223	3,563	14,546,796	184,878	952,398	48,648	342	240,256	76,757	17,504	18,307,306
Less : Allowance for impaired financing												
At amortised cost												
- Stage 1 - 12 Months ECL	(2,110)	(740)	(36)	(90,064)	(212)	(705)	(342)	(4)	(616)	-	(155)	(94,984)
- Stage 2 - Lifetime ECL not credit impaired	(2,669)	(42)	(400)	(4,850)	(177)	(411)	(8)	-	(4)	-	-	(8,561)
- Stage 3 - Lifetime ECL credit impaired	(16,858)	(1,582)	(45)	(67,349)	-	(1,812)	(43)	-	-	-	(255)	(87,944)
Total net financing	1,897,304	314,859	3,082	14,384,533	184,489	949,470	48,255	338	239,636	76,757	17,094	18,115,817

* Included in other term financing are financing at fair value through profit or loss amounting RM868,107,003 which mainly consists of hedged assets that are hedged against Islamic profit rate swap

^ During the year, a total of RM46,212,464 million modification loss arising from payment moratorium is included and reduced from gross balances within the respective financing products.

7. FINANCING OF CUSTOMERS (CONT'D.)

(i) By type and Shariah concepts (cont'd.)

Group 31 December 2019	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Kafalah RM'000	Shirkah Mutanaqisah RM'000	Rahnu (Qard) RM'000	Total financing RM'000
Cash line	-	-	4,164	300,779	-	-	-	-	-	-	-	304,943
Term financing:												
Home financing	1,688,503	-	-	2,807,669	-	-	9,996	-	-	-	-	4,506,168
Syndicated financing	-	-	-	553,402	-	-	-	-	-	-	-	553,402
Hire purchase receivables	88,602	408,059	-	-	-	-	-	-	80,025	-	-	576,686
Personal financing	62,283	-	155	3,357,488	-	-	-	-	-	-	-	3,419,926
Other term financing*	188,011	-	5	3,311,783	-	-	56,552	286	-	58,532	-	3,615,169
Trust receipts	-	-	-	-	37,021	39,252	-	-	-	-	-	76,273
Claims on customers under acceptance credits	-	-	-	-	131,139	905,152	-	-	-	-	-	1,036,291
Staff financing	37,700	-	-	60,831	-	-	-	114	-	-	-	98,645
Revolving credit	-	-	-	1,607,595	-	-	-	-	-	-	-	1,607,595
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	170,293	170,293
Total gross financing	2,065,099	408,059	4,324	11,999,547	168,160	944,404	66,548	400	80,025	58,532	170,293	15,965,391
Fair value changes arising from fair value hedge	-	-	-	47,689	-	-	-	-	-	-	-	47,689
	2,065,099	408,059	4,324	12,047,236	168,160	944,404	66,548	400	80,025	58,532	170,293	16,013,080
Less : Allowance for impaired financing												
At amortised cost												
- Stage 1 - 12 Months ECL	(930)	(623)	(76)	(45,410)	(150)	(840)	(148)	-	-	-	(3,165)	(51,342)
- Stage 2 - Lifetime ECL not credit impaired	(2,664)	(62)	(76)	(10,473)	-	(482)	(9)	-	-	-	-	(13,766)
- Stage 3 - Lifetime ECL credit impaired	(16,985)	(1,938)	(228)	(59,261)	-	(7,715)	(71)	-	-	-	(536)	(86,734)
Total net financing	2,044,520	405,436	3,944	11,932,092	168,010	935,367	66,320	400	80,025	58,532	166,592	15,861,238

* Included in other term financing is a financing at fair value through profit or loss amounting RM806,507,439 which mainly consists of hedged assets that are hedged against Islamic profit rate swap.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(i) By type and Shariah concepts (cont'd.)

Bank 31 December 2020	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Murabahah to the Purchase Orderer RM'000	Rahnu (Qard) RM'000	Total financing RM'000
Cash line	-	-	3,535	566,558	-	-	-	-	-	-	570,093
Term financing:											
Home financing	1,580,358	-	-	3,276,125	-	-	9,600	-	-	-	4,866,083
Syndicated financing	-	-	-	550,719	-	-	-	-	-	-	550,719
Hire purchase receivables	79,331	317,223	-	-	-	-	-	-	240,256	-	636,810
Leasing receivables	-	-	-	-	-	-	-	-	-	-	
Personal financing	58,309	-	27	4,334,639	-	-	-	-	-	-	4,392,975
Other term financing*	166,385	-	1	3,583,927	-	-	39,048	71,379	-	-	3,860,740
Trust receipts	-	-	-	-	22,581	70,397	-	-	-	-	92,978
Claims on customers under acceptance credits	-	-	-	-	162,297	882,001	-	-	-	-	1,044,298
Staff financing	34,558	-	-	62,620	-	-	-	105	-	-	97,283
Revolving credit	-	-	-	1,794,063	-	-	-	-	-	-	1,794,063
Ar-Rahnu	-	-	-	287,032	-	-	-	-	-	17,504	304,536
Total gross financing ^	1,918,941	317,223	3,563	14,455,683	184,878	952,398	48,648	71,484	240,256	17,504	18,210,578
Fair value changes arising from fair value hedge	-	-	-	91,113	-	-	-	-	-	-	91,113
	1,918,941	317,223	3,563	14,546,796	184,878	952,398	48,648	71,484	240,256	17,504	18,301,691
Less : Allowance for impaired financing											
At amortised cost											
- Stage 1 - 12 Months ECL	(2,110)	(740)	(36)	(90,064)	(212)	(705)	(342)	(4)	(616)	(155)	(94,984)
- Stage 2 - Lifetime ECL not credit impaired	(2,669)	(42)	(400)	(4,850)	(177)	(411)	(8)	-	(4)	-	(8,561)
- Stage 3 - Lifetime ECL credit impaired	(16,858)	(1,582)	(45)	(67,349)	-	(1,812)	(43)	-	-	(255)	(87,944)
Total net financing	1,897,304	314,859	3,082	14,384,533	184,489	949,470	48,255	71,480	239,636	17,094	18,110,202

* Included in other term financing are financing at fair value through profit or loss amounting RM868,107,003 which mainly consists of hedged assets that are hedged against Islamic profit rate swap.

^ During the year, a total of RM46,212,464 million modification loss arising from payment moratorium is included and reduced from gross balances within the respective financing products.

7. FINANCING OF CUSTOMERS (CONT'D.)

(i) By type and Shariah concepts (cont'd.)

Bank 31 December 2019	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Kafalah RM'000	Rahnu (Qard) RM'000	Total financing RM'000
Cash line	-	-	4,164	300,779	-	-	-	-	-	-	304,943
Term financing:											
Home financing	1,688,503	-	-	2,807,669	-	-	9,996	-	-	-	4,506,168
Syndicated financing	-	-	-	553,402	-	-	-	-	-	-	553,402
Hire purchase receivables	88,602	408,059	-	-	-	-	-	-	80,025	-	576,686
Personal financing	62,283	-	155	3,357,488	-	-	-	-	-	-	3,419,926
Other term financing*	188,011	-	5	3,311,783	-	-	56,552	54,923	-	-	3,611,274
Trust receipts	-	-	-	-	37,021	39,252	-	-	-	-	76,273
Claims on customers under acceptance credits	-	-	-	-	131,139	905,152	-	-	-	-	1,036,291
Staff financing	37,700	-	-	60,831	-	-	-	114	-	-	98,645
Revolving credit	-	-	-	1,607,595	-	-	-	-	-	-	1,607,595
Ar-Rahnu	-	-	-	-	-	-	-	-	-	170,293	170,293
Total gross financing	2,065,099	408,059	4,324	11,999,547	168,160	944,404	66,548	55,037	80,025	170,293	15,961,496
Fair value changes arising from fair value hedge	-	-	-	47,689	-	-	-	-	-	-	47,689
	2,065,099	408,059	4,324	12,047,236	168,160	944,404	66,548	55,037	80,025	170,293	16,009,185
Less : Allowance for impaired financing											
At amortised cost											
- Stage 1 - 12 Months ECL	(930)	(623)	(76)	(45,410)	(150)	(840)	(148)	-	-	(3,165)	(51,342)
- Stage 2 - Lifetime ECL not credit impaired	(2,664)	(62)	(76)	(10,473)	-	(482)	(9)	-	-	-	(13,766)
- Stage 3 - Lifetime ECL credit impaired	(16,985)	(1,938)	(228)	(59,261)	-	(7,715)	(71)	-	-	(536)	(86,734)
Total net financing	2,044,520	405,436	3,944	11,932,092	168,010	935,367	66,320	55,037	80,025	166,592	15,857,343

* Included in other term financing are financing at fair value through profit or loss amounting RM802,613,520 which mainly consists of hedged assets that are hedged against Islamic profit rate swap.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(i) By type and Shariah concepts (cont'd.)

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Uses of Qard fund:		
Staff financing	**105**	114
Other term financing	**237**	286
	342	400

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Staff financing	**105**	114
Other term financing	**71,379**	54,923
	71,484	55,037

(ii) By type of customer

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Domestic non-banking institutions	**736,507**	510,337
Domestic business enterprises		
- Small business enterprises	**511,263**	329,959
- Others	**4,208,311**	3,936,293
Government and statutory bodies	**952,354**	959,703
Individuals	**11,797,470**	10,218,154
Other domestic entities	**3,666**	3,916
Foreign entities	**6,622**	7,029
Gross financing	**18,216,193**	15,965,391

7. FINANCING OF CUSTOMERS (CONT'D.)

(ii) By type of customer (cont'd.)

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Domestic non-banking institutions	**736,507**	510,337
Domestic business enterprises		
- Small business enterprises	**511,263**	329,959
- Others	**4,202,696**	3,932,398
Government and statutory bodies	**952,354**	959,703
Individuals	**11,797,470**	10,218,154
Other domestic entities	**3,666**	3,916
Foreign entities	**6,622**	7,029
Gross financing	**18,210,578**	15,961,496

(iii) By profit rate sensitivity

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Fixed rate:		
Home financing	**240,827**	265,103
Hire purchase receivables	**636,810**	576,686
Others	**3,422,300**	3,410,858
Variable rate:		
Home financing	**4,678,117**	4,283,076
Others	**9,238,139**	7,429,668
Gross financing	**18,216,193**	15,965,391

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Fixed rate:		
Home financing	**240,827**	265,103
Hire purchase receivables	**636,810**	576,686
Others	**3,416,685**	3,406,963
Variable rate:		
Home financing	**4,678,117**	4,283,076
Others	**9,238,139**	7,429,668
Gross financing	**18,210,578**	15,961,496

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(iv) By sector

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Agriculture	**108,267**	95,810
Mining and quarrying	**398**	4,022
Manufacturing	**978,385**	759,403
Electricity, gas and water	**99,194**	111,836
Construction	**531,420**	406,526
Household	**11,804,092**	10,225,184
Real estate	**1,229,136**	1,232,208
Wholesale, retail and restaurant	**1,086,063**	1,010,609
Transport, storage and communication	**60,234**	64,564
Finance, takaful and business services	**1,060,837**	811,806
Community, social and personal service	**305,813**	283,721
Government and statutory bodies	**952,354**	959,702
Gross financing	**18,216,193**	15,965,391

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Agriculture	**108,267**	95,810
Mining and quarrying	**398**	4,022
Manufacturing	**978,385**	759,403
Electricity, gas and water	**99,194**	111,836
Construction	**531,420**	406,526
Household	**11,804,092**	10,225,184
Real estate	**1,229,136**	1,232,208
Wholesale, retail and restaurant	**1,086,063**	1,010,609
Transport, storage and communication	**60,234**	64,564
Finance, takaful and business services	**1,060,838**	811,806
Community, social and personal service	**300,197**	279,826
Government and statutory bodies	**952,354**	959,702
Gross financing	**18,210,578**	15,961,496

7. FINANCING OF CUSTOMERS (CONT'D.)

(v) By residual contractual maturity

	Group 31 December 2020 RM'000	Group 31 December 2019 RM'000
Maturity		
- within one year	**5,767,870**	4,459,918
- more than one to five years	**6,158,310**	5,215,272
- more than five years	**6,290,013**	6,290,201
Gross financing	**18,216,193**	15,965,391

	Bank 31 December 2020 RM'000	Bank 31 December 2019 RM'000
Maturity		
- within one year	**5,767,870**	4,459,918
- more than one to five years	**6,158,310**	5,215,272
- more than five years	**6,284,398**	6,286,306
Gross financing	**18,210,578**	15,961,496

(vi) By geographical area

	Group 31 December 2020 RM'000	Group 31 December 2019 RM'000
Domestic	**18,216,193**	15,965,391
Gross financing	**18,216,193**	15,965,391

	Bank 31 December 2020 RM'000	Bank 31 December 2019 RM'000
Domestic	**18,210,578**	15,961,496
Gross financing	**18,210,578**	15,961,496

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

7. FINANCING OF CUSTOMERS (CONT'D.)

(vii) By economic purpose

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Purchase of securities	**1,124,566**	1,093,091
Purchase of transport vehicles	**627,420**	565,744
Purchase of landed properties of which:		
– residential	**4,767,687**	4,468,859
– non-residential	**312,611**	340,507
Purchase of fixed assets (excluding landed properties)	**130,454**	68,433
Personal use	**4,990,798**	3,820,861
Purchase of consumer durables		
Construction	**949,045**	919,758
Mergers and acquisitions		
Working capital	**4,992,211**	4,358,825
Other purposes	**321,401**	329,313
Gross financing	**18,216,193**	15,965,391

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Purchase of securities	**1,124,566**	1,093,091
Purchase of transport vehicles	**627,420**	565,744
Purchase of landed properties of which:		
– residential	**4,767,687**	4,468,859
– non-residential	**312,611**	340,507
Purchase of fixed assets (excluding landed properties)	**130,454**	68,433
Personal use	**4,990,798**	3,820,861
Purchase of consumer durables		
Construction	**949,045**	919,758
Mergers and acquisitions		
Working capital	**4,986,596**	4,354,930
Other purposes	**321,401**	329,313
Gross financing	**18,210,578**	15,961,496

7. FINANCING OF CUSTOMERS (CONT'D.)

(viii) Movements in the gross carrying amount of financing of customers

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 31 December 2020				
At 1 January 2020	**15,436,630**	**319,596**	**209,165**	**15,965,391**
Total transfer within stages:				
Transfer to Stage 1	**458,477**	**(436,466)**	**(22,011)**	**-**
Transfer to Stage 2	**(484,015)**	**534,407**	**(50,392)**	**-**
Transfer to Stage 3	**(32,234)**	**(110,213)**	**142,447**	**-**
New financial assets originated	**3,918,707**	**2,720**	**-**	**3,921,427**
Financial asstes derecognised	**(1,517,438)**	**(31,064)**	**(20,308)**	**(1,568,810)**
Effects of modifications to contractual cash flows of financial assets	**(36,786)**	**(839)**	**353**	**(37,272)**
Amount written - off	**-**	**-**	**(64,543)**	**(64,543)**
At 31 December 2020	**17,743,341**	**278,141**	**194,711**	**18,216,193**

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 31 December 2019				
At 1 April 2019	14,949,129	294,791	221,216	15,465,136
Total transfer within stages:				
Transfer to Stage 1	515,434	(495,996)	(19,438)	-
Transfer to Stage 2	(614,554)	730,363	(115,809)	-
Transfer to Stage 3	(49,676)	(174,732)	224,408	-
New financial assets originated	2,322,294	10,361	-	2,332,655
Financial asstes derecognised	(1,685,997)	(45,191)	(40,376)	(1,771,564)
Amount written - off	-	-	(60,836)	(60,836)
At 31 December 2019	15,436,630	319,596	209,165	15,965,391

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7. FINANCING OF CUSTOMERS (CONT'D.)

(viii) Movements in the gross carrying amount of financing of customers (cont'd.)

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 31 December 2020				
At 1 January 2020	**15,432,735**	**319,596**	**209,165**	**15,961,496**
Total transfer within stages:				
Transfer to Stage 1	**458,477**	**(436,466)**	**(22,011)**	**-**
Transfer to Stage 2	**(484,015)**	**534,407**	**(50,392)**	**-**
Transfer to Stage 3	**(32,234)**	**(110,213)**	**142,447**	**-**
New financial assets originated	**3,916,987**	**2,720**	**-**	**3,919,707**
Financial asstes derecognised	**(1,517,438)**	**(31,064)**	**(20,308)**	**(1,568,810)**
Effects of modifications to contractual cash flows of financial assets	**(36,786)**	**(839)**	**353**	**(37,272)**
Amount written - off	**-**	**-**	**(64,543)**	**(64,543)**
At 31 December 2020	**17,737,726**	**278,141**	**194,711**	**18,210,578**

Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 31 December 2019				
At 1 April 2019	14,951,515	294,791	221,216	15,467,522
Total transfer within stages:				
Transfer to Stage 1	515,434	(495,996)	(19,438)	-
Transfer to Stage 2	(614,554)	730,363	(115,809)	-
Transfer to Stage 3	(49,676)	(174,732)	224,408	-
New financial assets originated	2,318,399	10,361	-	2,328,760
Financial asstes derecognised	(1,688,383)	(45,191)	(40,376)	(1,773,950)
Amount written - off	-	-	(60,836)	(60,836)
At 31 December 2019	15,432,735	319,596	209,165	15,961,496

7. FINANCING OF CUSTOMERS (CONT'D.)

(ix) Movements in the loss allowance for financing of customers

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2020				
At 1 January 2020	**51,342**	**13,766**	**86,734**	**151,842**
Transfer to Stage 1	**15,374**	**(8,473)**	**(6,901)**	**-**
Transfer to Stage 2	**(1,572)**	**25,182**	**(23,610)**	**-**
Transfer to Stage 3	**(346)**	**(10,232)**	**10,578**	**-**
Allowance (written back)/made	**(2,719)**	**(11,017)**	**91,759**	**78,023**
New financing originated	**79,619**	**638**	**-**	**80,257**
Financing derecognised	**(46,713)**	**(1,303)**	**(12,546)**	**(60,562)**
Amount written-off	**-**	**-**	**(58,070)**	**(58,070)**
Exchange difference	**(1)**	**-**	**-**	**(1)**
At 31 December 2020	**94,984**	**8,561**	**87,944**	**191,489**

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	55,886	7,448	93,952	157,286
Transfer to Stage 1	15,195	(9,961)	(5,234)	-
Transfer to Stage 2	(1,953)	48,707	(46,754)	-
Transfer to Stage 3	(628)	(5,550)	6,178	-
Allowance (written back)/made	(29,312)	(26,565)	107,405	51,528
New financing originated	41,566	1,300	-	42,866
Financing derecognised	(29,415)	(1,613)	(10,773)	(41,801)
Amount written-off	-	-	(58,040)	(58,040)
Exchange difference	3	-	-	3
At 31 December 2019	51,342	13,766	86,734	151,842

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8(a). IMPAIRED FINANCING

(i) Movements in the impaired financing

As at 31 December 2020

	Group RM'000	Bank RM'000
At 1 January 2020	209,166	209,166
Classified as impaired during the year	152,808	152,808
Reclassified as performing during the year	(62,358)	(62,358)
Recovered during the year	(40,362)	(40,362)
Written off during the year	(64,543)	(64,543)
Gross impaired financing	194,711	194,711
Less: Stage 3 - Lifetime ECL credit impaired	(87,944)	(87,944)
Net impaired financing	106,767	106,767
Calculation ratio of impaired financing:		
Gross financing of customers	18,216,193	18,210,578
Less: Stage 3 - Lifetime ECL credit impaired	(87,944)	(87,944)
Net financing of customers	18,128,249	18,122,634
Ratio of gross impaired financing to total financing	1.07%	1.07%
Net impaired financing ratio	0.59%	0.59%

8(a). IMPAIRED FINANCING (CONT'D.)

(i) Movements in the impaired financing (cont'd.)

As at 31 December 2019

	Group RM'000	Bank RM'000
At 1 April 2019	221,216	221,216
Classified as impaired during the year	235,837	235,837
Reclassified as performing during the year	(123,108)	(123,108)
Recovered during the year	(63,943)	(63,943)
Written off during the year	(60,836)	(60,836)
Gross impaired financing	209,166	209,166
Less: Stage 3 - Lifetime ECL credit impaired	(86,734)	(86,734)
Net impaired financing	122,432	122,432
Calculation ratio of impaired financing:		
Gross financing of customers	15,965,391	15,961,496
Less: Stage 3 - Lifetime ECL credit impaired	(86,734)	(86,734)
Net financing of customers	15,878,657	15,874,762
Ratio of gross impaired financing to total financing	1.31%	1.31%
Net impaired financing ratio	0.77%	0.77%

(ii) Impaired financing by geographical area

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Domestic	**194,711**	209,166

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8(a). IMPAIRED FINANCING (CONT'D.)

(iii) Impaired financing by sector

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Agriculture	**-**	-
Manufacturing	**33,187**	2,807
Construction	**830**	4,778
Household	**134,833**	163,559
Purchase of landed property:		
- Residential		
- Non-residential		
Real estate	**19,016**	18,474
Wholesale and retail and restaurant	**5,675**	10,379
Transport, storage and communication	**583**	7,833
Finance, takaful and business services	**415**	966
Purchase of transport vehicles	**-**	-
Community, social and personal service	**172**	370
	194,711	209,166

(iv) Impaired financing by economic purpose

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Purchase of securities	-	-
Purchase of transport vehicles	**1,880**	2,450
Purchase of landed properties of which:		
- Residential	**89,146**	110,152
- Non-residential	**27,109**	33,638
Purchase of fixed assets (excluding landed properties)		
Personal use	**32,773**	33,885
Construction	**-**	-
Working capital	**41,121**	28,007
Other purposes	**2,682**	1,034
	194,711	209,166

8(b). EXPOSURES TO COVID-19 IMPACTED FINANCING

(i) Disclosure for impacted sectors

	Financing of customers					
	On-balance sheet (net of impairment)		Undrawn (off-balance sheet)		Total exposures	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Retail and wholesale/trading	**1,012,559**	915,823	**98,406**	73,153	**1,110,965**	988,976
Accommodation	**1,032**	299	**413**	2	**1,445**	301
Travel agencies/tourism	**3,028**	235	**878**	824	**3,906**	1,059
Airline/aviation	**4,607**	4,577	**5**	5	**4,612**	4,582
Food and beverage services/restaurants	**66,797**	43,153	**19,296**	37,983	**86,093** **5,488**	81,136
	1,088,023	964,087	**118,998**	111,967	**1,207,021**	1,076,054

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8(b). EXPOSURES TO COVID-19 IMPACTED FINANCING (CONT'D.)

(ii) Disclosure for COVID-19 customer relief and support measures

AUTOMATIC SIX-MONTH MORATORIUM

	Financing of customers:									
	Retail customers as at 31 December 2020					Non-Retail customers as at 31 December 2020				
	Home financing	Hire purchase receivables	Personal financing	Others	Total	SMEs		Corporates		Total
						Stage 1	Stage 2	Stage 1	Stage 2	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total payment moratoriums	4,242,336	464,165	3,189,477	483,518	8,379,496	30,806	424	-	-	31,230
Resumed payments	3,621,739	430,998	3,099,497	398,993	7,551,227	17,003	-	-	-	17,003
Extended and paying as per revised schedules	502,131	25,271	47,848	70,433	645,683	13,803	344	-	-	14,147
Missed payments	118,466	7,897	42,131	14,091	182,585	-	79	-	-	79
Delinquent	106,078	6,418	28,483	13,821	5,488	-	79	-	-	79
Impaired	12,388	1,478	13,648	270	27,784	-	-	-	-	-
As a percentage of total:										
Resumed payments	85.37%	92.85%	97.18%	82.52%	90.12%	55.19%	0.00%	-	-	54.44%
Extended and paying as per revised schedules	11.84%	5.44%	1.50%	14.57%	7.71%	44.81%	81.28%	-	-	45.30%
Missed payments	2.79%	1.70%	1.32%	2.91%	2.18%	-	18.72%	-	-	0.25%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	-	-	100.00%

PAYMENT ASSISTANCE (Targeted Payment Assistance/Enhanced Targeted Payment Assistance)

	Financing of customers:									
	Retail customers as at 31 December 2020					Non-Retail customers as at 31 December 2020				
	Home financing	Hire purchase receivables	Personal financing	Others	Total	SMEs		Corporates		Total
						Stage 1	Stage 2	Stage 1	Stage 2	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total payment moratoriums	526,634	26,621	52,615	73,316	679,186	16,509	344	1,458,269	-	1,475,122
Resumed payments	511,057	26,599	52,348	70,433	660,437	16,509	344	1,457,724	-	1,474,577
Missed payments	15,576	22	268	2,883	18,749	-	-	544	-	544
Delinquent	15,454	22	268	2,883	18,627	-	-	544	-	544
Impaired	123	-	-	-	123	-	-	-	-	-
As a percentage of total:										
Resumed payments	97.04%	99.92%	99.49%	96.07%	97.24%	100.00%	100.00%	99.96%	-	99.96%
Extended and repaying as per revised schedules	-	-	-	-	-	-	-	-	-	-
Missed payments	2.96%	0.08%	0.51%	3.93%	2.76%	-	-	0.04%	-	0.04%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	-	100.00%

8(b). EXPOSURES TO COVID-19 IMPACTED FINANCING (CONT'D.)

(iii) Overlays and adjustments for expected credit losses amid COVID-19 environment

As the current MFRS9 models are not expected to generate levels of expected credit losses ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2020.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures expire in 2021.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

The financing customers who have received payment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 until the second quarter of 2021, the impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process. Total overlays for ECL inclusive of the macro-economic adjustments maintained by the Group and the Bank as at 31 December 2020 are RM16.5 million (2019:Nil).

	31 December 2020 %	31 December 2019 %
Probability Weighted Outcome ("PWO")		
Downside	**39.1**	23.8
Baseline	**32.9**	52.6
Upside	**28.0**	23.6

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9. OTHER ASSETS

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Deposits	**6,001**	7,129
Prepayments	**7,746**	6,265
Tax prepayment	**63,243**	-
Foreclosed properties	**9,665**	9,665
Golf club membership	**500**	600
Other receivables	**22,095**	11,476
Other debtors	**5,488**	9,713
	114,738	44,848
Less: Accumulated impairment losses (Note 9(a))	**(1,567)**	(3,178)
	113,171	41,670

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Deposits	**5,901**	7,030
Prepayments	**7,696**	6,177
Tax prepayment	**63,243**	-
Foreclosed properties	**9,665**	9,665
Golf club membership	**500**	600
Other receivables	**22,095**	11,476
Other debtors	**4,812**	9,010
	113,912	43,958
Less: Accumulated impairment losses (Note 9(a))	**(1,567)**	(3,178)
	112,345	40,780

(a) Movements in the accumulated impairment losses are as follows:

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
At 1 January 2020/1 April 2019	**(3,178)**	(4,521)
Allowance written back	**1,611**	1,343
At 31 December 2020/31 December 2019	**(1,567)**	(3,178)

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

11. INVESTMENT IN SUBSIDIARIES

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Unquoted shares at cost - in Malaysia	**13,823**	13,823
Less: Accumulated impairment losses (Note 11(a))	**(664)**	(664)
	13,159	13,159

(a) Movements in the accumulated impairment losses are as follows:

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
At 1 January 2020/1 April 2019	**664**	1,264
Impairment written back	**-**	(600)
At 31 December 2020/31 December 2019	**664**	664

Details of the subsidiary companies that are all incorporated in Malaysia are as follows:

Name	Principal activities	Percentage of equity held		Paid up capital	
		31 December 2020 %	31 December 2019 %	31 December 2020 RM	31 December 2019 RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	**100**	100	**13,000,000**	13,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	**100**	100	**100,002**	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	**100**	100	**2,500**	2,500
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	**100**	100	**2,500**	2,500

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12. INVESTMENT PROPERTIES

Group and Bank

	Freehold land RM'000	Building on freehold land RM'000	Investment properties under construction RM'000	Total RM'000
As at 31 December 2020				
As at 1 January 2019	**14,001**	**35,855**	**3,207**	**53,063**
Additions	**-**	**-**	**872**	**872**
Change in fair value recognised in profit or loss (Note 29)	**(40)**	**1,994**	**-**	**1,954**
As at 31 December 2020	**13,961**	**37,849**	**4,079**	**55,889**
As at 31 December 2019				
As at 1 April 2019	14,001	29,360	1,942	45,303
Additions	-	8,413	1,265	9,678
Change in fair value recognised in profit or loss (Note 29)	-	(1,918)	-	(1,918)
As at 31 December 2019	14,001	35,855	3,207	53,063

The Group's and the Bank's investment properties consist of a few units of commercial properties and a few pieces of undeveloped freehold commercial land.

As at 31 December 2020, the fair values of the properties are based on valuations performed by Proharta Consultancy Sdn. Bhd together with Rahim & Co International Sdn Bhd, accredited independent valuers. A valuation approach as guided by the Malaysian Valuation Standards as issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 47.

Description of valuation techniques used and key inputs to valuation on investment properties:

Types of investment properties	Valuation Technique	Significant unobservable inputs
- Buildings on freehold land - Freehold land	Direct comparison method ("DCM")	Selling price per square foot ("psf") of comparable properties sold adjusted for location, size and shape of land, planning provisions, land tenure, title restrictions and any other characteristics.

13. INTANGIBLE ASSETS

Group

	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 December 2020			
Cost			
As at 1 January 2020	268,192	1,749	269,941
Additions	3,625	12,476	16,101
Write off	-	(233)	(233)
Reclassification	10,730	(10,730)	-
As at 31 December 2020	282,547	3,262	285,809
Accumulated amortisation			
As at 1 January 2020	187,403	-	187,403
Charge for the year (Note 37)	33,213	-	33,213
As at 31 December 2020	220,616	-	220,616
Carrying amount as at 31 December 2020	61,931	3,262	65,193
As at 31 December 2019			
Cost			
As at 1 April 2019	245,825	692	246,517
Additions	8,355	15,729	24,084
Reclassification	14,012	(14,672)	(660)
As at 31 December 2019	268,192	1,749	269,941
Accumulated amortisation			
As at 1 April 2019	161,833	-	161,833
Charge for the period (Note 37)	25,570	-	25,570
As at 31 December 2019	187,403	-	187,403
Carrying amount as at 31 December 2019	80,789	1,749	82,538

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13. INTANGIBLE ASSETS (CONT'D.)

Bank

	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 December 2020			
Cost			
As at 1 January 2020	**267,188**	**1,639**	**268,827**
Additions	**3,625**	**12,371**	**15,996**
Write off	**-**	**(233)**	**(233)**
Reclassification	**10,730**	**(10,730)**	**-**
As at 31 December 2020	**281,543**	**3,047**	**284,590**
Accumulated amortisation			
As at 1 January 2020	**186,400**	**-**	**186,400**
Charge for the year (Note 37)	**33,213**	**-**	**33,213**
As at 31 December 2020	**219,613**	**-**	**219,613**
Carrying amount as at 31 December 2020	**61,930**	**3,047**	**64,977**
As at 31 December 2019			
Cost			
As at 1 April 2019	244,820	582	245,402
Additions	8,356	15,729	24,085
Reclassification	14,012	(14,672)	(660)
As at 31 December 2019	267,188	1,639	268,827
Accumulated amortisation			
As at 1 April 2019	160,842	-	160,842
Charge for the period (Note 37)	25,558	-	25,558
As at 31 December 2019	186,400	-	186,400
Carrying amount as at 31 December 2019	80,788	1,639	82,427

14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 December 2020					
Cost					
As at 1 January 2020	**19,209**	**19,389**	**266,577**	**-**	**305,175**
Additions	**-**	**-**	**8,429**	**2,483**	**10,912**
Write off	**-**	**-**	**(974)**	**-**	**(974)**
Disposals	**-**	**-**	**(1,271)**	**-**	**(1,271)**
Reclassification	**-**	**-**	**2,483**	**(2,483)**	**-**
As at 31 December 2020	**19,209**	**19,389**	**275,244**	**-**	**313,842**
Accumulated depreciation					
As at 1 January 2020	**1,494**	**7,369**	**240,220**	**-**	**249,083**
Charge for the year (Note 37)	**480**	**485**	**10,410**	**-**	**11,375**
Write off	**-**	**-**	**(967)**	**-**	**(967)**
Disposals	**-**	**-**	**(840)**	**-**	**(840)**
As at 31 December 2020	**1,974**	**7,854**	**248,823**	**-**	**258,651**
Carrying amount as at 31 December 2020	**17,235**	**11,535**	**26,421**	**-**	**55,191**
As at 31 December 2019					
Cost					
As at 1 April 2019	19,209	19,389	259,092	560	298,560
Additions	-	-	5,966	2,055	8,021
Write off	-	-	(604)	(24)	(628)
Disposals	-	-	(460)	-	(460)
Reclassification	-	-	2,273	(2,591)	(318)
As at 31 December 2019	19,209	19,389	266,577	-	305,175
Accumulated depreciation					
As at 1 April 2019	1,132	7,005	232,062	-	240,199
Charge for the period (Note 37)	362	364	9,084	-	9,810
Write off	-	-	(602)	-	(602)
Disposals	-	-	(324)	-	(324)
As at 31 December 2019	1,494	7,369	240,220	-	249,083
Carrying amount as at 31 December 2019	17,715	12,020	26,357	-	56,092

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14. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 December 2020					
Cost					
As at 1 January 2020	**19,209**	**19,389**	**266,235**	**-**	**304,833**
Additions	**-**	**-**	**8,415**	**2,483**	**10,898**
Write off	**-**	**-**	**(974)**	**-**	**(974)**
Disposals	**-**	**-**	**(1,271)**	**-**	**(1,271)**
Reclassification	**-**	**-**	**2,483**	**(2,483)**	**-**
As at 31 December 2020	**19,209**	**19,389**	**274,888**	**-**	**313,486**
Accumulated depreciation					
As at 1 January 2020	**1,494**	**7,369**	**239,906**	**-**	**248,769**
Charge for the year (Note 37)	**480**	**485**	**10,403**	**-**	**11,368**
Write off	**-**	**-**	**(967)**	**-**	**(967)**
Disposals	**-**	**-**	**(840)**	**-**	**(840)**
As at 31 December 2020	**1,974**	**7,854**	**248,502**	**-**	**258,330**
Carrying amount as at 31 December 2020	**17,235**	**11,535**	**26,386**	**-**	**55,156**
As at 31 December 2019					
Cost					
As at 1 April 2019	19,209	19,389	259,092	560	298,250
Additions	-	-	5,934	2,055	7,989
Write off	-	-	(604)	(24)	(628)
Disposals	-	-	(460)	-	(460)
Reclassification	-	-	2,273	(2,591)	(318)
As at 31 December 2019	19,209	19,389	266,235	-	304,833
Accumulated depreciation					
As at 1 April 2019	1,132	7,005	231,753	-	239,890
Charge for the period (Note 37)	362	364	9,079	-	9,805
Write off	-	-	(602)	(602)	
Disposals	-	-	(324)	-	(324)
As at 31 December 2019	1,494	7,369	239,906	-	248,769
Carrying amount as at 31 December 2019	17,715	12,020	26,329	-	56,064

15. LEASES

15.1 Group and the Bank as a lessee

The Group and the Bank have leases for leasehold land, building and office equipment. Lease contracts are typically made for fixed periods of one (1) to three (3) years, but may have extension options.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statements of financial position as a right-of-use asset and a lease liability.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term.

(a) Leases liabilities

	Profit rate (%)	Maturity	Group 31 December 2020 RM'000	Group 31 December 2019 RM'000
Non-current	5.5	2021 - 2025	**28,652**	41,211
Current	5.5	2020	**12,989**	10,448
			41,641	51,659

	Profit rate (%)	Maturity	Group 31 December 2020 RM'000	Group 31 December 2019 RM'000
Non-current	5.5	2021 - 2025	**20,667**	32,877
Current	5.5	2020	**13,351**	10,946
			34,018	43,823

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15. LEASES (CONT'D.)

15.1 Group and the Bank as a lessee (cont'd.)

(b) Lease payments not recognised as a liability

The Group and the Bank have elected not to recognise a lease liability for short term leases (leases with an expected term of twelve (12) months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to payments not included in the measurement of the lease liability during the financial period is as follows:

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Expenses relating to leases of low-value assets (included in administrative expenses)	**268**	520

As at the reporting date, the Group and the Bank were committed to low-value assets and the total commitment was RM255,347 (31 December 2019: RM335,015).

(c) As at the reporting date, the Group's and the Bank's total future cash outflows for leases that had not yet commenced is nil.

15. LEASES (CONT'D.)

15.1 Group and the Bank as a lessee (cont'd.)

(d) Right-of-use assets

The net book values of right-of-use assets are recognised and the movements during the year are shown as follows:

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Group				
Net book value at 1 January 2020	**220**	**42,157**	**5,745**	**48,122**
Depreciation charge (Note 37)	**(6)**	**(8,467)**	**(3,757)**	**(12,230)**
Lease modification	**-**	**3,143**	**-**	**3,143**
Disposal	**-**	**(1,289)**	**-**	**(1,289)**
Net book value at 31 December 2020	**214**	**35,544**	**1,988**	**37,746**
31 December 2020				
Cost	**303**	**67,978**	**11,271**	**79,552**
Accumulated depreciation	**(89)**	**(32,434)**	**(9,283)**	**(41,806)**
Net book value	**214**	**35,544**	**1,988**	**37,746**

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Group				
Net book value at 1 April 2019, restated	223	41,912	8,519	50,654
Additions	-	762	-	762
Depreciation charge (Note 37)	(3)	(6,910)	(2,829)	(9,742)
Lease modification	-	6,565	55	6,620
Disposal	-	(173)	-	(173)
Exchange difference	-	1	-	1
Net book value at 31 December 2019	220	42,157	5,745	48,122
31 December 2019				
Cost	303	66,520	11,271	78,094
Accumulated depreciation	(83)	(24,363)	(5,526)	(29,972)
Net book value	220	42,157	5,745	48,122

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15. LEASES (CONT'D.)

15.1 Group and the Bank as a lessee (cont'd.)

(d) Right-of-use assets (cont'd.)

The net book values of right-of-use assets are recognised and the movements during the period are shown as follows:

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Bank				
Net book value at 1 January 2020	220	35,501	5,745	41,466
Depreciation charge (Note 37)	(6)	(7,988)	(3,757)	(11,751)
Lease modification	-	3,162	-	3,162
Disposal	-	(1,289)	-	(1,289)
Net book value at 31 December 2020	214	29,386	1,988	31,588
31 December 2020				
Cost	303	59,063	11,271	70,637
Accumulated depreciation	(89)	(29,677)	(9,283)	(39,049)
Net book value	214	29,386	1,988	31,588

	Leasehold Land RM'000	Building RM'000	Office Equipment RM'000	Total RM'000
Bank				
Net book value at 1 April 2019, restated	223	34,774	8,519	43,516
Additions	-	762	-	762
Depreciation charge (Note 37)	(3)	(6,469)	(2,829)	(9,301)
Lease modification	-	6,606	55	6,661
Disposal	-	(173)	-	(173)
Exchange difference	-	1	-	1
Net book value at 31 December 2019	220	35,501	5,745	41,466
31 December 2019				
Cost	303	57,605	11,271	69,179
Accumulated depreciation	(83)	(22,104)	(5,526)	(27,713)
Net book value	220	35,501	5,745	41,466

15. LEASES (CONT'D.)

15.2 Group and the Bank as a lessor

The Group and the Bank have entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between one (1) and five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under commitments and non-cancellable operating leases at the reporting date are as follows:

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Not later than 1 year	**1,761**	1,876
Later than 1 year but not later than 5 years	**2,434**	4,555
Later than 5 years	**3**	123
	4,198	6,554

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Not later than 1 year	**1,808**	1,922
Later than 1 year but not later than 5 years	**2,312**	4,512
Later than 5 years	**3**	123
	4,123	6,557

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16. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
At beginning of the year, as restated	**13,534**	18,403	**13,250**	18,235
Recognised in the profit or loss (Note 40)	**(24,922)**	1,287	**(24,990)**	1,171
Recognised in other comprehensive income	**(86)**	(6,156)	**(86)**	5,488
At end of the year	**(11,474)**	13,534	**(11,826)**	24,894

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 income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position as follows:

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Deferred tax assets, net	**352**	13,534	**-**	13,250
Deferred tax liabilities, net	**(11,826)**	-	**(11,826)**	-
	(11,474)	13,534	**(11,826)**	13,250

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Deferred tax assets	**39,423**	25,827	**39,071**	25,543
Deferred tax liabilities	**(50,897)**	(12,293)	**(50,897)**	(12,293)
	(11,474)	13,534	**(11,826)**	13,250

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

Deferred tax assets of the Group

	ECL RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	**12,092**	**900**	**6,211**	**6,265**	**359**	**25,827**
Recognised in profit or loss	**10,818**	**85**	**(115)**	**2,819**	**(11)**	**13,596**
As at 31 December 2020	**22,910**	**985**	**6,096**	**9,084**	**348**	**39,423**

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2019, restated	11,121	508	726	5,303	9,353	322	27,333
Recognised in profit or loss	971	-	174	908	(3,088)	37	(998)
Recognised in other comprehensive income	-	(508)	-	-	-	-	(508)
As at 31 December 2019	12,092	-	900	6,211	6,265	359	25,827

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16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax liabilities of the Group:

	Profit on financing moratorium accounts RM'000	Financial investments at FVOCI RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 January 2020	-	(5,648)	(6,645)	(12,293)
Recognised in profit or loss	(39,786)	-	1,268	(38,518)
Recognised in other comprehensive income	-	(86)	-	(86)
As at 31 December 2020	(39,786)	(5,734)	(5,377)	(50,897)

	Financial assets at FVOCI RM'000	Financial FVTPL RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2019	-	(65)	(8,865)	(8,930)
Recognised in profit or loss	-	65	2,220	2,285
Recognised in other comprehensive income	(5,648)	-	-	(5,648)
As at 31 December 2019	(5,648)	-	(6,645)	(12,293)

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (cont'd.)

Deferred tax assets of the Bank:

	ECL RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	**12,092**	**616**	**6,211**	**6,265**	**359**	**25,543**
Recognised in profit or loss	**10,818**	**17**	**(115)**	**2,819**	**(11)**	**13,528**
As at 31 December 2020	**22,910**	**633**	**6,096**	**9,084**	**348**	**39,071**

	ECL RM'000	Financial assets at FVOCI reserve RM'000	Leases RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2019, restated	11,121	508	493	5,303	9,353	322	27,100
Recognised in profit or loss	971	-	123	908	(3,088)	37	(1,049)
Recognised in other comprehensive income	-	(508)	-	-	-	-	(508)
As at 31 December 2019	12,092	-	616	6,211	6,265	359	25,543

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31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

16. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Deferred tax liabilities of the Bank:

	Profit on financing moratorium accounts RM'000	Financial investments at FVOCI RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 January 2020	**-**	**(5,648)**	**(6,645)**	**(12,293)**
Recognised in profit or loss	**(39,786)**	**-**	**1,268**	**(38,518)**
Recognised in other comprehensive income	**-**	**(86)**	**-**	**(86)**
At 31 December 2020	**(39,786)**	**(5,734)**	**(5,377)**	**(50,897)**
At 1 April 2019		-	(8,865)	(8,865)
Recognised in profit or loss		-	2,220	2,220
Recognised in other comprehensive income		(5,648)	-	(5,648)
At 31 December 2019		(5,648)	(6,645)	(12,293)

17. DEPOSITS FROM CUSTOMERS

(i) By types of deposits

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Savings deposits		
Qard	**1,065,227**	938,576
Tawarruq	**797,164**	521,960
	1,862,391	1,460,536
Demand deposits		
Qard	**3,969,068**	2,885,821
Tawarruq	**1,924,741**	1,549,520
	5,893,809	4,435,341
Term deposits		
Negotiable Islamic debt certificate	**249,855**	629,709
General investment deposits	**58,574**	63,701
Short term accounts	**9,942,206**	2,513,814
Fixed term accounts tawarruq	**3,442,335**	9,796,765
	13,692,970	13,003,989
Other deposits	**52,196**	40,686
	21,501,366	18,940,552

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17. DEPOSITS FROM CUSTOMERS (CONT'D.)

(i) By types of deposits (cont'd.)

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Savings deposits		
Qard	**1,065,227**	938,576
Tawarruq	**797,164**	521,960
	1,862,391	1,460,536
Demand deposits		
Qard	**3,970,060**	2,889,975
Tawarruq	**1,924,741**	1,549,520
	5,894,801	4,439,495
Term deposits		
Negotiable Islamic debt certificate	**249,855**	629,709
General investment deposits	**58,574**	63,701
Short term accounts	**9,942,206**	2,513,814
Fixed term accounts tawarruq	**3,454,135**	9,807,065
	13,704,770	13,014,289
Other deposits	**52,196**	40,686
	21,514,158	18,955,006

(ii) By types of customer

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Government and statutory bodies	**7,138,959**	4,083,378
Business enterprises	**4,932,352**	7,708,280
Individuals	**2,423,830**	2,158,738
Domestic non-bank financial institutions	**6,014,431**	3,143,472
Domestic banking financial institutions	**39,206**	434,885
Others	**952,588**	1,411,799
	21,501,366	18,940,552

17. DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) By types of customer (cont'd.)

	Bank	
	31 December 2020 RM'000	**31 December 2019 RM'000**
Government and statutory bodies	**7,138,959**	4,083,378
Business enterprises	**4,945,144**	7,722,734
Individuals	**2,423,830**	2,158,738
Domestic non-bank financial institutions	**6,014,431**	3,143,472
Domestic banking financial institutions	**39,206**	434,885
Others	**952,588**	1,411,799
	21,514,158	18,955,006

The maturity structure of term deposits are as follows:

	Group	
	31 December 2020 RM'000	**31 December 2019 RM'000**
Due within six months	**12,549,377**	11,454,317
More than six months to one year	**722,698**	1,497,843
More than one year to three years	**393,507**	51,612
More than three year to five years	**27,388**	217
	13,692,970	13,003,989

	Bank	
	31 December 2020 RM'000	**31 December 2019 RM'000**
Due within six months	**12,561,177**	11,464,617
More than six months to one year	**722,698**	1,497,843
More than one year to three years	**393,507**	51,612
More than three year to five years	**27,388**	217
	13,704,770	13,014,289

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18. INVESTMENT ACCOUNTS

(a) Investment account of customers

Restricted investment account ("RIA") is an arrangement between the Bank and investment account holders ("IAH") where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA amounting to RM nil (31 December 2019: RM20,000,000) is accounted for as off balance sheet as the Bank has passed its rights and obligations in respect of the assets related to the RIA or the residual cash flows from those assets to the IAH except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

(i) Investment account analysed by maturity portfolio are as follows:

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Wakalah				
Maturity				
- within one year	-	20,000	-	20,000

(ii) By types of customer are as follows:

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Individuals	-	15,000	-	15,000
Others	-	5,000	-	5,000
	-	20,000	-	20,000

(iii) The allocation of investment asset are as follows:

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Restricted investment accounts				
Shirkah Mutanaqisah financing	-	20,000	-	20,000
Total investment	-	20,000	-	20,000

18. INVESTMENT ACCOUNTS

(a) Investment account of customers (cont'd.)

(iv) Investment account holders ("IAH") profit sharing ratio and rate of return are as follows:

	Group and Bank 31 December 2020		Group and Bank 31 December 2019	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment account of customers	**0.0%**	**0.0%**	76.9%	6.2%

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Non-Mudharabah		
Bank Negara Malaysia	**98,346**	6,303

These balances include amount of RM99,780,000 (2019: Nil) received under government financing schemes for the purpose of SME financing at a below market and concession rate with 5.5 years to 8.5 years of maturity to be repaid in 2026 and 2029. The fair value gain arising from the placement of funds with the Group and the Bank is applied to address the financial and accounting impact incurred from financing at concession rates to SMEs and for COVID-19 related relief measures.

20. 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.

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21. OTHER LIABILITIES

	Group	
	31 December 2020 RM'000	**31 December 2019 RM'000**
Sundry creditors	**270**	1,325
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	**5,659**	6,088
Provision for bonus	**15,215**	11,574
Accrued expenses	**20,453**	13,447
Accrual for directors' fees	**4**	-
Accrual for audit fees	**897**	1,234
Other liabilities	**46,043**	19,616
	88,541	53,284

	Bank	
	31 December 2020 RM'000	**31 December 2019 RM'000**
Sundry creditors	**270**	572
Allowances for impairment losses on financing commitments and financial guarantee contracts (Note 21(a))	**5,659**	6,088
Provision for bonus	**15,048**	11,350
Accrued expenses	**21,234**	13,556
Accrual for directors' fees	**4**	-
Accrual for audit fees	**876**	1,212
Other liabilities	**45,982**	19,538
	89,073	52,316

21. OTHER LIABILITIES (CONT'D.)

(a) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2020				
At 1 January 2020	**3,064**	**93**	**2,931**	**6,088**
Transfer to Stage 1	**156**	**(112)**	**(44)**	**-**
Transfer to Stage 2	**(44)**	**162**	**(118)**	**-**
Transfer to Stage 3	**(29)**	**(17)**	**46**	**-**
Allowance made	**1,015**	**56**	**248**	**1,319**
New financial assets originated or purchased	**2,875**	**2**	**-**	**2,877**
Financing derecognised	**(1,907)**	**(16)**	**(349)**	**(2,272)**
Amount written-off	**-**	**-**	**(2,353)**	**(2,353)**
At 31 December 2020	**5,130**	**168**	**361**	**5,659**

Group and Bank	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 31 December 2019				
At 1 April 2019	3,406	121	3,371	6,898
Transfer to Stage 1	180	(150)	(30)	-
Transfer to Stage 2	(51)	193	(142)	-
Transfer to Stage 3	(4)	(146)	150	-
Allowance (written back)/made	(286)	104	182	-
New financial assets originated or purchased	495	-	-	495
Financing derecognised	(676)	(29)	(461)	(1,166)
Amount written-off	-	-	(139)	(139)
At 31 December 2019	3,064	93	2,931	6,088

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22. PROVISION FOR ZAKAT AND TAXATION

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Zakat	**4,349**	4,182	**4,280**	4,108
Taxation	**29**	5,346	**-**	5,164
	4,378	9,528	**4,280**	9,272

23. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

24. SUKUK

(a) Subordinated sukuk

On 15 June 2016, the Bank set up a 20-year Subordinated Sukuk Murabahah Programme of up to RM1.0 billion ("Subordinated Sukuk Programme"), which qualified as Tier 2 capital under the BNM Policy Document on Capital Adequacy Framework for Islamic Banks (Capital Components). The initial Subordinated Sukuk Murabahah under the Subordinated Sukuk Programme was issued on 15 June 2016. Table below depicts a summary of the initial Subordinated Sukuk Murabahah.

Issue date	Call Date	Maturity Date	Profit Rate (% p.a)	Nominal Value
15 June 2016	15 June 2021	15 June 2026	5.80%, payable semi-annually	RM250.0 million

The Bank may redeem (in whole or in part) the initial Subordinated Sukuk Murabahah prior to maturity on the Call Date, subject to the redemption conditions under the principal terms and conditions of the Subordinated Sukuk Programme being satisfied.

(b) Senior sukuk

On 7 June 2016, the Bank set up a 15-year Senior Sukuk Programme of up to RM2.0 billion ("Senior Sukuk Programme") Table below shows the details of the current outstanding Senior Sukuk under the Senior Sukuk Programme.

Issue date	Maturity Date	Profit Rate (% p.a)	Nominal Value
25 November 2016	25 November 2021	5.50%, payable semi-annually	RM500.0 million

25. SHARE CAPITAL

	Number of shares		Amount	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Ordinary shares				
As at 31 December	**1,195,000**	1,195,000	**1,195,000**	1,195,000

26. RESERVES

		Group	
	Note	31 December 2020 RM'000	31 December 2019 RM'000
Regulatory reserve	(a)	**45,411**	62,676
Retained profits	(b)	**1,392,969**	1,193,264
Exchange fluctuation reserve	(c)	**(968)**	(133)
Fair value through other comprehensive income	(d)	**18,240**	18,008
		1,455,652	1,273,815

		Bank	
	Note	31 December 2020 RM'000	31 December 2019 RM'000
Regulatory reserve	(a)	**45,411**	62,676
Retained profits	(b)	**1,384,855**	1,186,740
Exchange fluctuation reserve	(c)	**(967)**	(133)
Fair value through other comprehensive income	(d)	**18,240**	18,008
		1,447,539	1,267,291

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26. RESERVES (CONT'D.)

(a) Regulatory reserve

Regulatory reserve is maintained in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, in accordance with BNM's Revised Financial Reporting Policy Document issued on 27 September 2019.

Banking institutions are allowed with immediate effect to :

(a) Drawdown the capital conservation buffer of (2.5%);

(b) Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;

(c) Reduce the regulotary reserves held against expected losses to 0%; and

(d) Minimum Net Stable Funding Ratio ("NSFR") which was effective on 1 July 2020 is lowered to 80% from 100%.

However, banking institutions are required to rebuild the said buffers after 31 December 2020 and restore them to the minimum regulatory requirements by 30 September 2021. BNM will review this timeline if current expectations change materially. As at the reporting date, the Bank has not drawn any of prudential buffers.

(b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2020 under the single tier system.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Fair value through other comprehensive income

This represent the cumulative fair value changes, net of tax, of fair value through other comprehensive income financial assets until they are disposed or impaired.

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Income derived from investment off				
(i) Fixed term accounts	**180,685**	487,151	**180,685**	487,151
(ii) Other deposits	**954,163**	458,757	**954,163**	458,757
	1,134,848	945,908	**1,134,848**	945,908

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(i) Income derived from investment of fixed term deposits

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Finance income and hibah:				
Income from financing (note (a))	**133,644**	356,130	**133,644**	356,130
Financial investments designated at FVTPL	**1,165**	3,165	**1,165**	3,165
Financial assets at fair value through other comprehensive income	**27,683**	67,883	**27,683**	67,883
Financial assets at amortised cost	**383**	941	**383**	941
Money at call and deposit with financial institutions	**4,957**	11,639	**4,957**	11,639
	167,832	439,758	**167,832**	439,758
Amortisation of premium, net	**(4,279)**	(204)	**(4,279)**	(204)
Total finance income and hibah	**163,553**	439,554	**163,553**	439,554
Other operating income				
Net gain/(loss) from sale of:				
- financial investments designated at FVTPL	**73**	(4)	**73**	(4)
- debt instruments at fair value through other comprehensive income	**8,880**	22,594	**8,880**	22,594
Unrealised gain on revaluation from financial investments designated at FVTPL	**265**	315	**265**	315
	9,218	22,905	**9,218**	22,905
Fees and commission				
Guarantee fees	**252**	642	**252**	642
Safekeeping fees	**-**	6,858	**-**	6,858
Processing fees	**686**	988	**686**	988
Service charges and fees	**1,905**	5,579	**1,905**	5,579
Commission	**5,071**	10,625	**5,071**	10,625
	7,914	24,692	**7,914**	24,692
Total	**180,685**	487,151	**180,685**	487,151

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27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(ii) Income derived from investment of other deposits

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Finance income and hibah				
Income from financing (note (a))	**705,751**	335,371	**705,751**	335,371
Financial investments designated at FVTPL	**6,151**	2,981	**6,151**	2,981
Financial assets at fair value through other comprehensive income	**146,186**	63,926	**146,186**	63,926
Financial assets at amortised cost	**2,022**	886	**2,022**	886
Money at call and deposit with financial institutions	**26,176**	10,961	**26,176**	10,961
	886,286	414,125	**886,286**	414,125
Amortisation of premium, net	**(22,599)**	(192)	**(22,599)**	(192)
Total finance income and hibah	**863,687**	413,933	**863,687**	413,933
Other operating income				
Net gain/(loss) from sale of:				
- financial investments designated at FVTPL	**387**	(4)	**387**	(4)
- debt instruments at fair value through other comprehensive income	**46,894**	21,277	**46,894**	21,277
Unrealised gain on revaluation from financial investments designated at FVTPL	**1,399**	297	**1,399**	297
	48,680	21,570	**48,680**	21,570
Fees and commission				
Guarantee fees	**1,330**	605	**1,330**	605
Safekeeping fees	**-**	6,458	**-**	6,458
Processing fees	**3,623**	931	**3,623**	931
Service charges and fees	**10,062**	5,254	**10,062**	5,254
Commission	**26,781**	10,006	**26,781**	10,006
	41,796	23,254	**41,796**	23,254
Total	**954,163**	458,757	**954,163**	458,757

27. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(a) During the financial year, the Group and the Bank granted an automatic moratorium on certain financing payments, by individuals and small and medium enterprises (SMEs) for a period of six (6) 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. As a result of the payment moratorium, the Group and the Bank recognised a loss of RM46,212,464 million, arising from the modification of contractual cash flows of financing. This amount is netted off against income from financing.

28. INCOME DERIVED FROM INVESTMENT OF ACCOUNT FUNDS

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Finance income and hibah				
Investment of account funds	**-**	4	**-**	4
	-	4	**-**	4
Fees and commission				
Service charges and fees	**369**	109	**369**	109
Total	**369**	113	**369**	113

29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Finance income and hibah				
Financial assets at fair value through other comprehensive income	**9,930**	7,920	**9,930**	7,920
Money at call and deposit with financial institutions	**1,206**	1,301	**1,206**	1,301
Accretion of (premium)/discounts, net	**(1,271)**	90	**(1,271)**	90
Total finance income and hibah	**9,865**	9,311	**9,865**	9,311

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29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONT'D.)

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Other operating income				
Net gain on revaluation of foreign exchange transaction	**19,138**	8,125	**19,138**	8,125
Net (loss)/gain from foreign exchange derivatives	**(10,405)**	(4,829)	**(10,405)**	(4,829)
Fair value gain of financial liabilities (note (b))	**8,859**	-	**8,859**	-
Net loss from sale of financial investment designated at FVTPL	**-**	(6)	**-**	-
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	**4,530**	(4,294)	**4,530**	(4,149)
Net gain from sale of debt instruments at fair value through other comprehensive income	**1,260**	429	**1,260**	429
Gross dividend income				
- unquoted shares in Malaysia	**42**	59	**-**	-
- subsidiary	**-**	-	**3,000**	1,000
Net dividend paid for Islamic profit rate swap	**(19,412)**	(7,712)	**(19,412)**	(7,712)
Unrealised loss on revaluation of Islamic profit rate swap	**(53,422)**	(27,549)	**(53,422)**	(27,549)
Unrealised gain on revaluation of hedged items (Note 6(i))	**59,901**	31,262	**59,901**	31,262
	10,491	(4,515)	**13,449**	(3,423)
Fees and commission				
Corporate advisory fees	**1,431**	2,275	**1,105**	906
Service charges and fees	**7,684**	3,413	**122**	175
Commission	**3,361**	1,987	**3,361**	1,987
	12,476	7,675	**4,588**	3,068
Other income				
Rental income	**1,414**	962	**1,440**	1,015
(Loss)/gain from sale of property, plant and equipment	**(21)**	11	**(21)**	11
Fair value adjustments of investment properties (Note 12)	**1,954**	(1,918)	**1,954**	(1,918)
	3,347	(945)	**3,373**	(892)
Total	**36,179**	11,526	**31,275**	8,064

29. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONT'D.)

(b) The Group and the Bank also received Special Relief Fund ("SRF") and Penjana Tourism Facility ("PTF") from the Government for the purpose of financing to SMEs at below market/concession rates. The financing by the Group and the Bank is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic.

The fair value gain arising from the placement of funds under the SRF and PTF that are recognised in the profit or loss, amounting to RM8,858,944 for the Group and the Bank, are applied to address the financial and accounting impact incurred by the Group and the Bank for COVID-19 related relief measures.

30. ALLOWANCE FOR/(WRITE-BACK OF) IMPAIRMENT ON FINANCING

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Allowance for/(write-back of) impairment losses on financing of customer:		
- individual allowance made	**22,562**	7,431
- individual allowance written back	**(2,794)**	(6,253)
- collective allowance made	**186,386**	163,903
- collective allowance written back	**(106,512)**	(113,157)
Impaired financing written off	**4,680**	2,687
Impaired financing recovered	**(24,255)**	(33,024)
	80,067	21,587

31. ALLOWANCE FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Impairment written back on investment in subsidiary	**-**	-	**-**	(600)
(Write-back of)/allowance for impairment losses on debt instruments at FVOCI	**1,212**	3,339	**1,212**	3,339
Allowance for/(write-back of) impairment losses on debt instruments at amortised cost	**(1,176)**	(273)	**(1,176)**	(273)
	36	3,066	**36**	2,466

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32. ALLOWANCE FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS, NET

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Cash and short term funds				
- ECL, net				
Deposits and placements with banks and other financial institutions				
- ECL, net	**(313)**	139	**(313)**	139
Other assets	**689**	(1,343)	**689**	(1,343)
- ECL, net				
	376	(1,204)	**376**	(1,204)

33. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Deposits from customers				
- Mudharabah funds	**904**	985	**904**	985
- Non-Mudharabah funds	**423,768**	405,298	**424,029**	405,543
Deposits and placements of banks and other financial institutions				
- Mudharabah funds				
- Non-Mudharabah funds	**1,463**	1,549	**1,463**	1,549
	426,135	407,832	**426,396**	408,077

34. PERSONNEL EXPENSES

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Salary and wages	**164,387**	112,393	**162,808**	111,181
Contribution to defined contribution plan	**29,399**	21,226	**29,129**	21,036
Social security contributions	**1,735**	1,208	**1,721**	1,194
Allowances and bonuses	**15,994**	21,630	**15,850**	21,470
Mutual Separation Scheme	**-**	663	**-**	663
Others	**21,145**	21,168	**21,084**	21,053
	232,660	178,288	**230,592**	176,597

35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION

		Group		Bank	
		31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
(a)	**Executive Director/Chief Executive Officers**				
	Salaries and wages	**1,842**	1,652	**1,308**	1,260
	Bonus	**172**	1,244	**128**	1,134
	Other emoluments	**336**	2,014	**244**	1,929
	Benefits-in-kind	**11**	76	**7**	68
		2,361	4,986	**1,687**	4,391
(b)	**Non-Executive Directors**				
	Fees	**1,114**	877	**1,074**	847
	Benefits-in-kind	**11**	26	**11**	26
	Other emoluments	**1,076**	835	**1,064**	827
		2,201	1,738	**2,149**	1,700
(c)	**Shariah Committee members**				
	Allowance	**373**	324	**373**	324
	Total	**4,935**	7,048	**4,209**	6,416
	Total (excluding benefits-in-kind)	**4,913**	6,946	**4,191**	6,322

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35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows:

Group 31 December 2020	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
	<========Remuneration received from the Group========>					
Note 35(a):						
Chief Executive Officer:						
Khairul Kamarudin	1,308	-	128	244	7	1,687
Chief Executive Officers of the subsidiaries:						
Norahmadi Sulong	350	-	44	61	4	459
Mohd Faruk bin Abdul Karim	184	-	-	31	-	215
Total Chief Executive Officers remuneration	1,842	-	172	336	11	2,361
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	101	-	21	-	122
Datuk Seri Tajuddin Atan	-	148	-	52	11	211
Dato' Sri Che Khalib Mohamad Noh	-	120	-	97	-	217
Iwan Rashman Gulamoydeen*	-	120	-	117	-	237
Dato Hj Khamil Khalid Ariff	-	89	-	133	-	222
Dr Azura Othman	-	90	-	120	-	210
Ghazali Hj Darman	-	120	-	182	-	302
Dato' Hj Che Pee Samsudin	-	29	-	28	-	57
Dato' Ibrahim Taib	-	120	-	133	-	253
Md. Khairuddin Hj. Arshad	-	120	-	152	-	272
Johari Abdul Muid	-	17	-	29	-	46
Director - subsidiaries:						
Fakihah Azahari	-	20	-	6	-	26
Dato' Adnan Alias	-	20	-	6	-	26
Total Directors remuneration	-	1,114	-	1,076	11	2,201
Total Chief Executive Officers and Directors'remuneration	1,842	1,114	172	1,412	22	4,562
Note 35(c):						
Shariah Committee:						
En Azizi Che Seman	-	60	-	29	1	90
Dr Mohamad Sabri Haron	-	54	-	11	1	66
Engku Ahmad Fadzil Engku Ali	-	14	-	2	1	17
Dr Wan Marhaini Wan Ahmad	-	54	-	11	1	66
Mohd Shahid Mohd Noh	-	54	-	12	1	67
Yusri Mohamad	-	54	-	12	1	67
Total Shariah Committee remuneration	-	290	-	77	6	373

* Director's fee payable to Khazanah Nasional Berhad.

35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Group are as follows (cont'd.):

Group 31 December 2019	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
	<======== Remuneration received from the Group ========>					
Note 35(a):						
Chief Executive Officers						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,042	-	1,134	1,892	67	4,135
Khairul Kamarudin	218	-	-	37	1	256
Chief Executive Office of the subsidiaries:						
Norahmadi Sulong	392	-	110	85	8	595
Total Chief Executive Officers remuneration	1,652	-	1,244	2,014	76	4,986
Note 35(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	180	-	46	26	252
Dato' Haji Mohd Izani Ghani*	-	50	-	48	-	98
Dato' Sri Che Khalib Mohamad Noh	-	90	-	68	-	158
Iwan Rashman Gulamoydeen*	-	40	-	32	-	72
Dato' Haji Kamil Khalid Ariff	-	90	-	116	-	206
Dr Azura Othman	-	90	-	148	-	238
Ghazali Hj Darman	-	90	-	139	-	229
Dato' Hj Che Pee Samsudin	-	90	-	94	-	184
Dato' Ibrahim Taib	-	90	-	104	-	194
Md. Khairuddin Hj. Arshad	-	37	-	32	-	69
Director - subsidiaries:						
Fakihah Azahari	-	15	-	4	-	19
Dato' Adnan Alias	-	15	-	4	-	19
Total Directors remuneration	-	877	-	835	26	1,738
Total Chief Executive Officers and Directors' remuneration	1,652	877	1,244	2,849	102	6,724
Note 35(c) :						
Shariah Committee:						
En Azizi Che Seman	-	45	-	19	1	65
Dr Mohamad Sabri Haron	-	41	-	11	1	53
Engku Ahmad Fadzil Engku Ali	-	41	-	11	1	53
Dr Wan Marhaini Wan Ahmad	-	41	-	10	1	52
Mohd Shahid Mohd Noh	-	41	-	10	1	52
Yusri Mohamad	-	41	-	10	1	51
Total Shariah Committee remuneration	-	248	-	71	6	324

* Director's fee payable to Khazanah Nasional Berhad.

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35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (cont'd.):

Bank 31 December 2020	<======== Remuneration received from the Bank ========> Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 35(a):						
Chief Executive Officer						
Khairul Kamarudin	1,308	-	128	244	7	1,687
Total Chief Executive Officer remuneration	1,308	-	128	244	7	1,687
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	101	-	21	-	122
Datuk Seri Tajuddin Atan	-	148	-	52	11	211
Dato' Sri Che Khalib Mohamad Noh	-	120	-	97	-	217
Iwan Rashman Gulamoydeen*	-	120	-	117	-	237
Dato Hj Khamil Khalid Ariff	-	89	-	133	-	222
Dr Azura Othman	-	90	-	120	-	210
Ghazali Hj Darman	-	120	-	182	-	302
Dato' Hj Che Pee Samsudin	-	29	-	28	-	57
Dato' Ibrahim Taib	-	120	-	133	-	253
Md. Khairuddin Hj. Arshad	-	120	-	152	-	272
Johari Abdul Muid	-	17	-	29	-	46
Total Directors remuneration	-	1,074	-	1,064	11	2,149
Total Chief Executive Officers and Directors' remuneration	1,308	1,074	128	1,308	18	3,836
Note 35(c):						
Shariah Committee:						
En Azizi Che Seman	-	60	-	29	1	90
Dr Mohamad Sabri Haron	-	54	-	11	1	66
Engku Ahmad Fadzil Engku Ali	-	14	-	2	1	17
Dr Wan Marhaini Wan Ahmad	-	54	-	11	1	66
Mohd ShahidMohd Noh	-	54	-	12	1	67
Yusri Mohamad	-	54	-	12	1	67
Total Shariah Committee remuneration	-	290	-	77	6	373

* Director's fee payable to Khazanah Nasional Berhad.

35. CEOS, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (cont'd.):

Bank 31 December 2019	<======== Remuneration received from the Bank ========> Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Note 35(a):						
Chief Executive Officers						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,042	-	1,134	1,892	67	4,135
Khairul Kamarudin	218	-	-	37	1	256
Total Chief Executive Officers remuneration	1,260	-	1,134	1,929	68	4,391
Note 35(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	180	-	46	26	252
Dato' Haji Mohd Izani Ghani*	-	50	-	48	-	98
Dato' Sri Che Khalib Mohamad Noh	-	90	-	68	-	158
Iwan Rashman Gulamoydeen*	-	40	-	32	-	72
Dato Hj Khamil Khalid Ariff	-	90	-	116	-	206
Dr Azura Othman	-	90	-	148	-	238
Ghazali Hj Darman	-	90	-	139	-	229
Dato' Hj Che Pee Samsudin						
Dato' Ibrahim Taib	-	90	-	104	-	194
Md. Khairuddin Hj. Arshad	-	37	-	32	-	69
Total Directors remuneration	-	847	-	827	26	1,700
Total Chief Executive Officer and Directors' remuneration	1,260	847	1,134	2,757	93	6,092
Note 35(c):						
Shariah Committee:						
En Azizi Che Seman	-	45	-	19	1	65
Dr Mohamad Sabri Haron	-	41	-	11	1	53
Engku Ahmad Fadzil Engku Ali	-	41	-	11	1	53
Dr Wan Marhaini Wan Ahmad	-	41	-	10	1	52
Mohd Shahid Mohd Noh	-	41	-	10	1	52
Yusri Mohamad	-	41	-	10	1	51
Total Shariah Committee remuneration	-	248	-	71	6	324

* Director's fee payable to Khazanah Nasional Berhad.

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36. KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration of Chief Executive Officer's and other key members of management during the financial year was as follows:

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Short-term employees benefits	**10,958**	13,403
Included in the total key management personnel are: Chief Executive Officers' remuneration (Note 35(a))	**2,361**	4,986

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Short-term employees benefits (salary, bonus, allowances)	**10,284**	12,809
Included in the total key management personnel are: Chief Executive Officers' remuneration (Note 35(a))	**1,687**	4,391

37. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Marketing				
Advertisement and publicity	**6,363**	9,236	**6,363**	9,236
Donation and sponsorship	**323**	4,262	**323**	4,262
Others	**722**	1,783	**720**	1,770
	7,408	15,281	**7,406**	15,268
Establishment				
Rental	**268**	520	**268**	520
Depreciation of right-of-use assets (Note 15)	**12,230**	9,742	**11,751**	9,301
Depreciation of property, plant and equipment (Note 14)	**11,375**	9,810	**11,368**	9,805
Amortisation of intangible assets (Note 13)	**33,213**	25,570	**33,213**	25,558
Information technology expenses	**47,640**	35,923	**47,494**	35,812
Repair and maintenance	**4,896**	3,249	**4,513**	2,987
Hire of equipment	**4,015**	2,679	**3,760**	2,500
Takaful	**3,828**	5,711	**3,828**	5,711
Utilities expenses	**4,666**	3,944	**4,643**	3,922
Security expenses	**7,623**	7,696	**7,623**	7,696
Others	**4,702**	3,095	**4,702**	3,095
	134,456	107,939	**133,163**	106,907
General expenses				
Auditors' fees				
- statutory audit				
- current year	**517**	457	**494**	434
- regulatory related services	**168**	228	**150**	210
- others	**412**	337	**390**	327
Professional fees	**2,790**	2,297	**2,721**	2,139
Legal expenses	**529**	1,396	**529**	1,396
Telephone	**1,916**	1,615	**1,916**	1,611
Stationery and printing	**1,682**	1,382	**1,670**	1,369
Postage and courier	**1,907**	1,227	**1,907**	1,227
Travelling	**599**	1,570	**598**	1,566
Chief Executive Officer, Directors remuneration and Shariah Committee allowance (Note 35)	**4,935**	7,048	**4,209**	6,416
Property, plant and equipment written off (Note 14)	**7**	26	**7**	26
Intangible assets written off (Note 14)	**233**	-	**233**	-
Others	**15,358**	9,390	**18,404**	11,187
	31,053	26,973	**33,228**	27,908
	172,917	150,193	**173,797**	150,083

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38. FINANCE COSTS

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Dividend paid on subordinated sukuk	**14,540**	10,955	**14,540**	10,955
Dividend paid on senior sukuk	**27,546**	20,746	**27,546**	20,746
Financing sold to Cagamas	**21,028**	16,237	**21,028**	16,237
Lease charges	**2,509**	2,205	**2,084**	1,880
	65,623	50,143	**65,198**	49,818

39. ZAKAT

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Provision of zakat for the year/period	**4,358**	3,770	**4,280**	3,706
Overprovision in prior year	**(1,006)**	-	**(998)**	-
	3,352	3,770	**3,282**	3,706

40. TAXATION

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Current income tax	**11,052**	39,432	**9,498**	38,790
Over provision in prior years	**(37,415)**	(408)	**(37,822)**	(404)
	(26,363)	39,024	**(28,324)**	38,386
Deferred tax: (Note 16)				
Relating to origination and reversal of temporary differences	**24,922**	(1,358)	**24,990**	(1,242)
Under provision in prior years	**-**	71	-	71
	24,922	(1,287)	**24,990**	(1,171)
	(1,441)	37,737	**(3,334)**	37,215

40. TAXATION (CONT'D.)

Domestic current income tax is calculated at the statutory tax rate of 24% (December 2019: 24%) of the estimated assessable profit for the year/period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Profit before taxation	**174,768**	140,313	**171,216**	139,332
Taxation at Malaysian statutory tax rate 24% (December 2019:24%)	**41,944**	33,675	**41,092**	33,440
Income not subject to tax	**(9,293)**	(473)	**(10,067)**	(480)
Expenses not deductible for tax purposes	**3,323**	4,872	**3,463**	4,588
Overprovision of income tax in prior years	**(37,415)**	(408)	**(37,822)**	(404)
Under provision of deferred tax in prior years	**-**	71	**-**	71
Income tax (income)/expense for the year/period	**(1,441)**	37,737	**(3,334)**	37,215

41. EARNINGS PER SHARE

Basic and diluted	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	**172,857**	98,806
Weighted average number of ordinary shares in issue ('000)	**1,195,000**	1,195,000
Basic and diluted earnings per share (sen)	**14.47**	8.27

42. DIVIDENDS

The directors did not declare any final dividend for the financial year ended 31 December 2020.

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43. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

The Group and the Bank have related party relationships with its substantial shareholders, subsidiaries and key management personnel. The Group's and the Bank's significant transactions and balances with related parties are as follows:

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Holding company				
Expenditure				
- hibah on deposit	**817**	1,344	**817**	1,344
Amounts due to				
- deposits	**21,136**	208,729	**21,136**	208,729
Subsidiaries				
Income				
- dividend received	**-**	-	**3,000**	1,000
- rental income	**-**	-	**120**	90
- management fee	**-**	-	**843**	543
- arrangement fee	**-**	-	**-**	320
Expenditure				
- fund management fee	**-**	-	**2,177**	1,648
- profit sharing incentive	**-**	-	**936**	184
- hibah on deposit	**-**	-	**261**	245
Amounts due from				
- financing	**-**	-	**71,144**	54,638
Amounts due to				
- management fee/profit sharing	**-**	-	**1,120**	12
- deposits	**-**	-	**12,790**	14,452

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Key management personnel				
Amounts due from				
- financing	**1,650**	1,669	**1,650**	1,518
Related companies*				
Income				
- profit on financing	**22,136**	15,399	**22,136**	15,399
Expenditure				
- hibah on deposit	**5,025**	4,373	**5,025**	4,373
- seconded staff salary and related expenses	**596**	848	**596**	848
- mailing and courier service	**396**	259	**396**	259
- rental (offsite ATM and branch)	**231**	175	**231**	175
- purchase of fixed assets	**822**	20	**822**	20
- marketing expenses	**440**	-	**440**	-
- sponsorship	**15**	397	**15**	397
- others	**222**	61	**222**	61
Amounts due to				
- deposits	**323,678**	350,244	**323,678**	350,244
Amounts due from				
- financing	**626,932**	496,746	**626,932**	496,746
Other related companies**				
Expenditure				
- takaful expenses	**1,553**	755	**1,553**	755
- staff travelling expenses	**62**	371	**62**	371
- rental (offsite ATM and branch)	**923**	597	**923**	597
- sponsorship	**-**	11	**-**	11
- others	**1,277**	544	**1,277**	544
Amounts due to				
- deposits	**314,276**	639,341	**314,276**	639,341
Amounts due from				
- financing	**1,066,793**	1,108,631	**1,066,793**	1,108,631

* Related companies are companies within DRB-HICOM Berhad Group and Khazanah Nasional Berhad Group.
** Other related companies are companies related to a substantial shareholder of DRB-HICOM Berhad Group.

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44. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Outstanding credit exposures with connected parties	**1,706,038**	1,613,373
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**6.3%**	6.7%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**-**	-

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Outstanding credit exposures with connected parties	**1,777,182**	1,668,011
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**6.6%**	7.0%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**-**	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective on 1 January 2008.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities, and financing commitments. It also includes holdings of equities and corporate sukuk issued by the connected parties.

The above-mentioned credit transactions with connected parties are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of connected parties are not less than that normally required of other persons.

45. COMMITMENTS AND CONTINGENCIES

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

Risk weighted exposures of the Group and the Bank are as follows:

	Group and Bank					
	31 December 2020			31 December 2019		
The commitments and contingencies constitute the following:	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
Contingent liabilities						
Direct credit substitutes	**298,114**	**298,114**	**277,009**	231,450	231,450	205,352
Trade-related contingencies	**29,755**	**5,951**	**208**	38,679	7,736	1,494
Transaction related contingencies	**403,511**	**201,755**	**187,023**	428,543	214,272	201,091
Commitments						
Credit extension commitment:						
- Maturity within one (1) year	**722,818**	**144,564**	**137,659**	879,658	175,932	171,477
- Maturity exceeding one (1) year	**929,662**	**464,831**	**427,279**	777,881	388,941	373,034
Other miscellaneous commitments & contingencies	**7,102**	**-**	**-**	-	-	-
Islamic derivative financial instruments						
Foreign exchange related contracts	**3,326,522**	**89,181**	**40,093**	2,965,283	58,660	28,638
Profit rate related contract	**1,200,000**	**59,000**	**11,800**	1,275,000	71,188	14,238
	6,917,484	**1,263,396**	**1,081,071**	6,596,494	1,148,179	995,324

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The integrated risk management system enables the Group and the Bank to achieve a single view of risks across its various business operations and in order to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimisation of the principal risk areas of Market Risk ("MR"), Asset and Liability Management ("ALM"), Credit Risk ("CR"), Operational Risk ("OR") and Shariah Compliance Risk; and building the requisite risk management organisation, infrastructure, process and technology with the objective of advancing the Group and the Bank towards value protection and creation.

Generally, the objectives of the Group's and the Bank's integrated risk management system include the following:

- Identifying all the risks exposures and their impact;
- Establishment of sound policies and procedures in line with the Group's and Bank's strategy, lines of business and nature of operations;
- Set out an enterprise-wide organisation structure and defining the appropriate roles and responsibilities; and
- Instill the risk culture within the Group and the Bank.

Risk governance

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Group and the Bank and form strong risk governance.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Group and the Bank, it has entrusted the Board Risk Management Committee ("BRMC") to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Group's and the Bank's Management and the conduct of these functions are being exercised under a management committee structure, namely, the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The Committee focuses on the overall business strategies and day-to-day business operations of the Group and the Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee ("SC") is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

Risk governance (cont'd.)

There are other risk committees set up at the Management level to oversee specific risk areas and control function of which the following are the details:

Committee	Objective
Asset & Liability Working Committee ("ALCO")	To ensure all strategies conform to the Bank's risk appetite and levels of exposure as determined by BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's large financing exposure (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decides on new and/ or additional increases of existing investment securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

To carry out the day-to-day risk management functions, a dedicated Risk Management Department ("RMD") that is independent of profit and volume target, exists to support the above committees.

(a) Credit risk

Credit risk is defined as the potential loss to the Group and the Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and the Bank comprehend that credit risk is inherent in its credit products activities such as credit financing facilities activities (funded/non-funded facilities); treasury activities (including inter-bank money market, money and capital trading, foreign exchange); and investment banking activities (including underwriting of corporate sukuk issuance).

The Group's and the Bank's RMD and Senior Management via ERMC implement and execute the strategies and policies in managing credit risk to ensure that the Bank's exposure to credit are always kept within the Group's and the Bank's risk appetite parameters, and the Group and the Bank to be able to identify its risk tolerance levels. The administration of credit risk is governed by a full set of credit-related policies such as Credit Risk Policy ("CRP"), and Guidelines to Credit Risk Policies ("GCRP"), product manuals and standard operating procedures.

Credit exposures are controlled via a thorough credit assessment process which include, among others, assessing the adequacy of the identified source of payments and/or income generation from the customer, as well as determining the appropriate structure for financing.

As a supporting tool for the assessment, the Group and the Bank adopt credit risk rating (internal/external) mechanisms. The internal risk rating/grading mechanism is consistent with the nature, size and complexity of the Group's and the Bank's activities. It is also in compliance with the regulatory authority's requirements. Where applicable, the external rating assessment will be applied. This is provided by more than one of the selected reputable External Credit Assessment Institutions ("ECAI").

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

To mitigate credit concentration risks, the Group and the Bank set exposure limits to individual/single customer, groups of related customers, connected parties, global counterparty, industry/sector and other various funded and non-funded exposures. This is monitored and enforced throughout the credit delivery process.

The Group and the Bank also introduced the Credit Risk Mitigation Techniques ("CRMT") to ascertain the strength of collaterals and securities pledged for financing. The technique outlines the criteria for the eligibility and valuation as well as the monitoring process of the collaterals and securities pledged.

The Group's and the Bank's credit risk disclosures also cover past due and impaired financing including the approaches in determining the individual and collective impairment provisions.

Included in financing of customers is a financing given to a corporate customer and identified structured personal financing customers which are hedged by profit rate derivatives. The hedge achieved the criteria for hedge accounting and the financing are carried at fair value.

During the year, the maximum credit exposure of the financing of customers amount to RM700.0 million (December 2019: RM700.0 million). The cumulative change in fair value of the financing attributable to changes in profit rate risks amount to a gain of RM91,112,801 (December 2019: gain of RM47,689,468) and the change for the current period is a gain of RM43,423,333 (December 2019: gain of RM24,644,380). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of securities issued by entities with similar credit characteristics.

(i) Maximum credit risk exposures and credit risk concentration

The following tables present the Group's and the Bank's maximum exposure to credit risk (without taking account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, and commitments and contingencies. Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. Included in commitments and contingencies are contingent liabilities and credit commitments. For contingent liabilities, the maximum exposures to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of undrawn credit granted to customers and derivative financial instruments.

A concentration credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By sector analysis

The presented analysis of credit risk concentration relates to financial assets, including derivatives with positive fair values, and commitments and contingencies, subject to credit risk and are based on the sector in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account of any collateral held or other credit enhancements.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 31 December 2020	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	520,055	3,798,965
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,648	2,136,502	1,753,798	-	11,662,015	463,030	18,115,817
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	113,170	113,170
	4,032,513	4,671,737	2,305,129	1,785,848	-	11,662,015	1,096,255	25,553,497
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Islamic derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,877	2,869,478	2,490,621	5,487	11,833,226	1,278,982	32,470,981

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 31 December 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	735,234	4,604,824
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	453,074	15,861,238
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	41,670	41,670
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,229,978	22,575,464
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Islamic derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,243,833	29,171,958

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 31 December 2020	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	517,588	3,796,498
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,649	2,136,502	1,753,798	-	11,662,015	457,414	18,110,202
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	112,345	112,345
	4,032,513	4,671,738	2,305,129	1,785,848	-	11,662,015	1,087,347	25,544,590
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,878	2,869,478	2,490,621	5,487	11,833,226	1,270,074	32,462,074

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 31 December 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	732,809	4,602,399
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	449,179	15,857,343
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	40,780	40,780
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,222,768	22,568,254
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,236,623	29,164,748

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
31 December 2020				
On Balance Sheet Exposures				
Cash and short-term funds	2,794,518	138,654	2,794,518	138,654
Cash and placements with financial institutions	30,417	-	30,417	-
Financial investments designated at fair value through profit and loss	148,084	165,252	148,084	165,252
Financial investments at fair value through othercomprehensive income	3,798,965	-	3,796,498	-
Financial investments amortised cost	105,544	-	105,544	-
Islamic derivative financial assets	47,820	-	47,820	-
Financing of customers	18,115,817	-	18,110,202	-
Statutory deposits with Bank Negara Malaysia	95,255	-	95,255	-
Other assets	113,167	3	112,343	3
	25,249,587	303,909	25,240,681	303,909
Commitments and contingencies				
Contingent liabilities	731,381	-	731,381	-
Commitments	1,652,479	-	1,652,479	-
Other Miscellaneous Commitment and Contingent Liabilities	7,102	-	7,102	-
Islamic derivative financial instruments	4,526,523	-	4,526,523	-
	6,917,485	-	6,917,485	-
Total credit exposures	32,167,072	303,909	32,158,166	303,909

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis (cont'd.)

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows: (cont'd.)

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
31 December 2019				
On Balance Sheet Exposures				
Cash and short-term funds	970,240	40,985	970,240	40,985
Cash and placements with financial institutions	53,925	-	53,925	-
Financial investments designated at fair value through profit and loss	139,684	169,109	139,684	169,109
Financial investments at fair value through other comprehensive income	4,596,572	8,252	4,594,147	8,252
Financial investments amortised cost	103,162	-	103,162	-
Islamic derivative financial assets	21,859	-	21,859	-
Financing of customers	15,861,238	-	15,857,343	-
Statutory deposits with Bank Negara Malaysia	568,768	-	568,768	-
Other assets	41,667	3	40,777	3
	22,357,115	218,349	22,349,905	218,349
Commitments and contingencies				
Contingent liabilities	698,672	-	698,672	-
Commitments	1,657,539	-	1,657,539	-
Islamic derivative financial instruments	4,240,283	-	4,240,283	-
	6,596,494	–	6,596,494	-
Total credit exposures	28,953,609	218,349	28,946,399	218,349

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group 31 December 2020	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Other term financing	8,120,932	26,053	56,289	56,067	8,259,341
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	17,736,703	121,417	254,475	194,711	18,307,306
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(94,984)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(8,561)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	17,736,703	121,417	254,475	106,767	18,115,817

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Group 31 December 2019	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Other term financing	6,933,844	37,520	46,147	65,275	7,082,786
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,320,100	265,775	218,039	209,166	16,013,080
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(51,342)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(13,766)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,320,100	265,775	218,039	122,432	15,861,238

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows: (cont'd.)

Bank 31 December 2020	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Other term financing	8,115,317	26,053	56,289	56,067	8,253,726
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	17,731,088	121,417	254,475	194,711	18,301,691
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(94,984)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(8,561)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	17,731,088	121,417	254,475	106,767	18,110,202

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

	Neither past due nor impaired		Past due		
			but not	Impaired	
Bank	Good	Satisfactory	impaired	financing	Total
31 December 2019	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Other term financing	6,929,949	37,520	46,147	65,275	7,078,891
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,316,205	265,775	218,039	209,166	16,009,185
Less:					
- Stage 1					
- 12 Months ECL	-	-	-	-	(51,342)
- Stage 2					
- Lifetime ECL not credit impaired	-	-	-	-	(13,766)
- Stage 3					
- Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,316,205	265,775	218,039	122,432	15,857,343

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

- "Good grade" refers to financing of customers which are neither past due nor impaired in the last six (6) months and have never undergone any rescheduling or restructuring exercise previously.

- "Satisfactory grade" refers to financing of customers which may have been past due but not impaired or impaired during the last six (6) months or have undergone a rescheduling or restructuring exercise previously.

Past due but not impaired

Past due but not impaired financing of customers refers to instances where the customer has failed to make principal or profit payment or both after the contractual due date for more than one (1) day but less than three (3) months.

Ageing analysis of past due but not impaired is as follows:

Group and Bank	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
31 December 2020			
Term financing			
- Home financing	**102,958**	**81,928**	**184,886**
- Hire purchase receivables	**5,055**	**3,831**	**8,886**
- Other term financing	**33,732**	**22,557**	**56,289**
Other financing	**634**	**3,780**	**4,414**
Total	**142,379**	**112,096**	**254,475**
31 December 2019			
Term financing			
- Home financing	109,593	48,483	158,076
- Hire purchase receivables	5,023	3,891	8,914
- Other term financing	32,619	13,528	46,147
Other financing	4,522	380	4,902
Total	151,757	66,282	218,039

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31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality for financing of customers (cont'd.)

Past due but not impaired (cont'd.)

The following table presents an analysis of the past due but not impaired financing by economic purpose.

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Purchase of transport vehicles	**8,886**	8,914
Purchase of landed properties of which:		
– residential	**178,297**	156,458
– non-residential	**15,644**	11,983
Personal use	**50,518**	28,035
Construction	**106**	-
Working capital	**199**	4,248
Other purpose	**825**	8,401
	254,475	218,039

Collateral and other credit enhancements

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:
- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed; and
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (i.e. quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at 87.2% and 87.2%, respectively, as at 31 December 2020 (the Group and the Bank are at 88.1% and 88.1% as at 31 December 2019). Meanwhile, the financial effect of collateral held for other financial assets is not significant.

As at 31 December 2020, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM58,150,345 as compared against 31 December 2019 total amount of RM41,210,434. The collateral consists of cash, securities, letters of guarantee, and properties.

Repossessed collateral

It is the Group's and the Bank's policy that dictates disposal of repossessed collateral to be carried out in an orderly manner. The proceeds are used to reduce or pay the outstanding balance of financing and securities. Collateral repossessed are subject to disposal as soon as it is practical to do so. Foreclosed properties are recognised in other assets on the statement of financial position. At present, the Group and the Bank do not occupy repossessed properties for its own business use.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.3 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions.

The probability weights for each scenarios are determined using the probability density approach. GDP is used as an anchor as GDP reflects the overall condition of the economy. To estimate the probability of each scenario, the Bank's GDP forecasts are compared against the forecasts by the various research houses. It is then estimated by obtaining the area under the probability density curve based on the Bank's forecasts.

The following table shows the forecast of the key forward-looking economic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2020.

Key Variable	ECL Scenario	Assigned Probabilities (%)	2020 (Actual)	2021 (Forecast)	2022 (Forecast)
Current Account Balance (% of GDP)	Base case	32.87%	2.60	1.50	2.00
	Upside	28.00%	2.60	3.10	4.80
	Downside	39.13%	2.60	0.70	0.80
Economy's money supply – M3 (YOY%)	Base case	32.87%	3.70	5.00	3.60
	Upside	28.00%	3.70	6.50	4.00
	Downside	39.13%	3.70	4.30	2.90
Consumer Price Index (YOY%)	Base case	32.87%	(0.20)	(1.00)	1.80
	Upside	28.00%	(0.20)	(0.50)	0.80
	Downside	39.13%	(0.20)	(2.00)	3.30
Unemployment Rate (%)	Base case	32.87%	3.30	4.50	3.70
	Upside	28.00%	3.30	3.70	3.40
	Downside	39.13%	3.30	5.50	4.30
Exchange Rate (USD MYR)	Base case	32.87%	4.33	4.17	4.10
	Upside	28.00%	4.33	4.06	3.50
	Downside	39.13%	4.33	4.38	4.30
Overnight Policy Rate (%)	Base case	32.87%	3.00	1.50	1.50
	Upside	28.00%	3.00	1.75	2.25
	Downside	39.13%	3.00	1.50	1.00
Kuala Lumpur Composite Index (KLCI)	Base case	32.87%	1,672.00	1,471.00	1,432.00
	Upside	28.00%	1,672.00	1,490.00	1,451.00
	Downside	39.13%	1,672.00	1,432.00	1,394.00
House Price Index (YOY%)	Base case	32.87%	2.20	0.80	3.00
	Upside	28.00%	2.20	1.00	3.50
	Downside	39.13%	2.20	0.50	2.50

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments and other financial assets

Set out below are the credit quality for financial investments (non-money market instruments - debt securities) and other financial assets analysed by ratings from external credit ratings agencies:

Group	Financial investments at amortised cost Non-Money Market Instruments - Debt Securities		Financial investments at FVOCI Non-Money Market Instruments – Debt Securities			
	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other assets RM'000
31 December 2020						
AAA+ to AA-	**-**	**-**	**-**	**603,079**	**603,079**	**-**
A+ to A-	**-**	**-**	**-**	**36,750**	**36,750**	**-**
BBB+ to BB-	**105,544**	**105,544**	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**-**	**97,898**	**97,898**	**113,170**
Defaulted	**-**	**-**	**-**	**-**	**-**	**-**
Sovereign	**-**	**-**	**-**	**2,952,196**	**2,952,196**	**-**
Total	**105,544**	**105,544**	**-**	**3,689,923**	**3,689,923**	**113,170**
31 December 2019						
AAA+ to AA-	-	-	-	505,615	505,615	-
A+ to A-	-	-	8,252	-	8,252	-
BBB+ to BB-	103,162	103,162	-	-	-	-
Unrated	-	-	-	103,163	103,163	41,670
Defaulted	-	-	-	-	-	-
Sovereign	-	-	-	3,881,292	3,881,292	-
Total	103,162	103,162	8,252	4,490,070	4,498,322	41,670

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality for financial investments and other financial assets (cont'd.)

Set out below are the credit quality for financial investments (non-money market instruments - debt securities) and other financial assets analysed by ratings from external credit ratings agencies: (cont'd.)

Bank	Financial investments at amortised cost Non-Money Market Instruments - Debt Securities			Financial investments at FVOCI Non-Money Market Instruments – Debt Securities		
	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other assets RM'000
31 December 2020						
AAA+ to AA-	**-**	**-**	**-**	**603,079**	**603,079**	**-**
A+ to A-	**-**	**-**	**-**	**36,750**	**36,750**	**-**
BBB+ to BB-	**105,544**	**105,544**	**-**	**-**	**-**	**-**
Unrated	**-**	**-**	**-**	**97,898**	**97,898**	**112,345**
Defaulted	**-**	**-**	**-**	**-**	**-**	**-**
Sovereign	**-**	**-**	**-**	**2,952,196**	**2,952,196**	**-**
Total	**105,544**	**105,544**	**-**	**3,689,923**	**3,689,923**	**112,345**
31 December 2019						
AAA+ to AA-	-	-	-	505,615	505,615	-
A+ to A-	-	-	8,252	-	8,252	-
BBB+ to BB-	103,162	103,162	-	-	-	-
Unrated	-	-	-	103,163	103,163	40,780
Defaulted	-	-	-	-	-	-
Sovereign	-	-	-	3,881,292	3,881,292	-
Total	103,162	103,162	8,252	4,490,070	4,498,322	40,780

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date and prior year, none of the financial investments mentioned above are past due, except for defaulted corporate sukuk of the Group and the Bank held under financial investments at fair value through other comprehensive income with net outstanding amount is nil (31 December 2019: Nil), which have been classified as impaired and fully provided for.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Market risk refer to the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

Types of market risk

(i) Traded market risk

Traded market risk, primarily rate of return risk and credit spread risk, exists in the Group's and the Bank's trading positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

Risk measurement approach

The Group's and the Bank's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's and the Bank's traded market risk for its profit-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the Treasury Middle Office ("TMO") on a daily basis against approved market risk limits. In addition, the TMO is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Department. Changes to market risk limits must be approved by the Board of Directors. The trading positions and limits are regularly reported to the ALCO. The Group and the Bank maintain its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

(ii) Non-traded market risk

The Group's and the Bank's core non-traded market risk refers to the rate of return risk in the Group's and the Bank's Islamic banking business, foreign exchange risk, and equity risk.

Rate of return risk

Rate of return risk refers to the potential loss of income arising from changes in market rates in regards to return on assets and on the returns payable on funding. The risk arises from option portfolios embedded in the Group's and the Bank's assets and liabilities.

Rate of return risk emanates from the repricing mismatches of the Group's and the Bank's banking assets and liabilities and also from the Group's and the Bank's investment of its surplus funds.

Risk measurement approach

The primary objective in managing the rate of return risk is to manage the volatility in the Group's and the Bank's net profit income ("NPI") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This shall be achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in profit rate sensitive assets and liabilities, and entering into derivative financial instruments which have the opposite effects.

The Group and the Bank use various tools including repricing gap reports, sensitivity analysis, and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the Board of Directors.

The following tables indicate the effective profit rates at the reporting date and the Group's and the Bank's sensitivity to profit rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to advance payment of financing or early withdrawal of deposits.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 31 December 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	2,923,609	-	-	-	-	-	-	-	9,563	-	2,933,172	2.1%
Cash and placements with financial institutions	-	30,387	-	-	-	-	-	-	30	-	30,417	2.1%
Financial investment designatedat fair value through profit and loss	-	-	-	-	-	-	-	-	214,118	99,219	313,337	3.2%
Financial assets at fair value through other comprehensive income	-	402,458	253,432	1,171,992	754,815	522,923	21,116	149,137	523,092	-	3,798,965	3.2%
Financial assets at amortised cost	-	-	-	-	-	-	-	105,537	7	-	105,544	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	47,820	47,820	-
Financing of customers:												
- non-impaired	12,698,512	847,055	222,595	327,572	884,747	498,947	490,656	1,978,853	163,660	-	18,112,597	5.3%
- impaired*	-	-	-	-	-	-	-	-	106,766	-	106,766	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(103,546)	-	(103,546)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	422,797	-	422,797	-
TOTAL ASSETS	15,622,121	1,279,900	476,027	1,499,564	1,639,562	1,021,870	511,772	2,233,527	1,336,487	147,039	25,767,869	

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 31 December 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	14,140,724	3,214,032	3,595,925	391,017	194	132	27,097	-	132,245	-	21,501,366	2.1%
Deposits and placements of banks and other financial institutions	25	28	769	613	2,200	250	-	-	94,461	-	98,346	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	6,310	-	6,310	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	167,334	167,334	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	443,919	-	-	-	-	222	-	444,141	4.6%
Subordinated sukuk	-	-	250,000	-	-	-	-	-	642	-	250,642	5.8%
Senior Sukuk	-	-	500,000	-	-	-	-	-	2,692	-	502,692	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	146,386	-	146,386	-
Total Liabilities	14,140,749	3,214,060	4,346,694	835,549	2,394	382	27,097	-	382,958	167,334	23,117,217	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,650,652	-	2,650,652	-
TOTAL LIABILITIES AND EQUITY	14,140,749	3,214,060	4,346,694	835,549	2,394	382	27,097	-	3,033,610	167,334	25,767,869	
On-balance sheet profit sensitivity gap	1,481,372	(1,934,160)	(3,870,667)	664,015	1,637,168	1,021,488	484,675	2,233,527	(1,697,123)	(20,295)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	1,481,372	(1,934,160)	(3,870,667)	664,015	1,637,168	1,021,488	484,675	2,233,527	(1,697,123)	1,179,705	1,200,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 31 December 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	770,935	-	-	-	-	-	-	-	240,290	-	1,011,225	3.0%
Cash and placements with financial institutions	-	53,854	-	-	-	-	-	-	71	-	53,925	3.0%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	211,239	97,555	308,793	3.7%
Financial assets at fair value through other comprehensive income	7,095	137,546	1,597,584	653,603	601,443	649,365	493,683	298,638	165,868	-	4,604,824	3.7%
Financial assets at amortised cost	-	-	-	-	-	-	-	103,156	7	-	103,162	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	21,859	21,859	-
Financing of customers:												
- non-impaired	10,523,156	927,132	357,049	56,060	144,549	924,359	547,345	2,223,636	100,630	-	15,803,916	5.8%
- impaired*	-	-	-	-	-	-	-	-	122,432	-	122,432	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(65,109)	-	(65,109)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	863,786	-	863,786	-
TOTAL ASSETS	11,301,186	1,118,532	1,954,633	709,663	745,992	1,573,724	1,041,028	2,625,430	1,639,214	119,414	22,828,814	

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 31 December 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	12,379,628	3,488,681	2,868,096	50,508	660	165	50	-	152,765	-	18,940,553	2.8%
Deposits and placements of banks and other financial institutions	51	142	1,270	1,401	989	2,200	250	-	-	-	6,303	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	8,444	-	8,444	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	-77,546	36,221	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	459,403	-	-	-	230	-	459,633	4.6%
Subordinated sukuk	-	-	-	250,000	-	-	-	-	532	-	250,532	5.8%
Senior Sukuk	-	-	-	500,000	-	-	-	-	2,517	-	502,517	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	114,471	-	114,471	-
Total Liabilities	12,379,679	3,488,823	2,869,366	801,909	461,052	2,365	300	-	278,959	77,546	20,318,674	
Equity attributable to shareholders of the Group	-	-	-	-	-	-	-	-	2,468,814	-	2,468,814	-
TOTAL LIABILITIES AND EQUITY	12,379,679	3,488,823	2,869,366	801,909	461,052	2,365	300	-	2,747,773	77,546	22,787,488	
On-balance sheet profi sensitivity gap	(1,075,388)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,048,922	2,628,641	(1,199,341)	83,998	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,275,000	1,275,000	-
TOTAL PROFIT SENSITIVITY GAP	(1,075,388)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,048,922	2,628,641	(1,199,341)	1,358,998	1,275,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 31 December 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	2,923,609	-	-	-	-	-	-	-	9,563	-	2,933,172	2.1%
Cash and placements with financial institutions	-	30,387	-	-	-	-	-	-	30	-	30,417	2.1%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	214,118	99,219	313,337	3.2%
Financial assets at fair value through other comprehensive income	-	402,458	253,432	1,171,992	754,815	522,923	21,116	149,137	520,625	-	3,796,498	3.2%
Financial assets at amortised cost	-	-	-	-	-	-	-	105,537	7	-	105,544	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	47,820	47,820	-
Financing of customers:												
- non-impaired	12,698,512	847,055	222,595	327,572	884,747	498,947	490,656	1,978,853	158,045	-	18,106,982	5.3%
- impaired*	-	-	-	-	-	-	-	-	106,766	-	106,766	-
-12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(103,546)	-	(103,546)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	428,369	-	428,369	-
TOTAL ASSETS	15,622,121	1,279,900	476,027	1,499,564	1,639,562	1,021,870	511,772	2,233,527	1,333,977	147,039	25,765,359	

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 31 December 2020	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	14,153,516	3,214,032	3,595,925	391,017	194	132	27,097	-	132,245	-	21,514,158	2.1%
Deposits and placements of banks and other financial institutions	25	28	769	613	2,200	250	-	-	94,461	-	98,346	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	6,310	-	6,310	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	167,334	167,334	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	443,919	-	-	-	-	222	-	444,141	4.6%
Subordinated sukuk	-	-	250,000	-	-	-	-	-	642	-	250,642	5.8%
Senior Sukuk	-	-	500,000	-	-	-	-	-	2,692	-	502,692	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	139,197	-	139,197	-
Total Liabilities	14,153,541	3,214,060	4,346,694	835,549	2,394	382	27,097	-	375,769	167,334	23,122,820	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,642,539	-	2,642,539	-
TOTAL LIABILITIES AND EQUITY	14,153,541	3,214,060	4,346,694	835,549	2,394	382	27,097	-	3,018,308	167,334	25,765,359	
On-balance sheet profit sensitivity gap	1,468,580	(1,934,160)	(3,870,667)	664,015	1,637,168	1,021,488	484,675	2,233,527	(1,684,331)	(20,295)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,200,000	1,200,000	-
TOTAL PROFIT SENSITIVITY GAP	1,468,580	(1,934,160)	(3,870,667)	664,015	1,637,168	1,021,488	484,675	2,233,527	(1,684,331)	1,179,705	1,200,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 31 December 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	770,935	-	-	-	-	-	-	-	240,290	-	1,011,225	3.0%
Cash and placements with financial institutions	-	53,854	-	-	-	-	-	-	71	-	53,925	3.0%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	211,239	97,555	308,793	3.7%
Financial assets at fair value through other comprehensive income	7,095	137,546	1,597,584	653,603	601,443	649,365	493,683	298,638	163,444	-	4,602,399	3.7%
Financial assets at amortised cost	-	-	-	-	-	-	-	103,156	7	-	103,162	2.5%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	21,859	21,859	-
Financing of customers:												
- non-impaired	10,523,156	927,132	357,049	56,060	144,549	924,359	547,345	2,223,636	96,734	-	15,800,020	5.8%
- impaired*	-	-	-	-	-	-	-	-	122,432	-	122,432	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	-	-	-	(65,109)	-	(65,109)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	868,977	-	868,977	-
TOTAL ASSETS	11,301,186	1,118,532	1,954,633	709,663	745,992	1,573,724	1,041,028	2,625,430	1,638,084	119,414	22,827,684	

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 31 December 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
LIABILITIES AND EQUITY												
Deposits from customers	12,394,082	3,488,681	2,868,096	50,508	660	165	50	-	152,765	-	18,955,007	2.8%
Deposits and placements of bank and other financial institutions	51	142	1,270	1,401	989	2,200	250	-	-	-	6,303	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	8,444	-	8,444	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	77,546	77,546	-
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	459,403	-	-	-	230	-	459,633	4.6%
Subordinated sukuk	-	-	-	250,000	-	-	-	-	532	-	250,532	5.8%
Senior Sukuk	-	-	-	500,000	-	-	-	-	2,517	-	502,517	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	105,411	-	105,411	-
Total Liabilities	12,394,133	3,488,823	2,869,366	801,909	461,052	2,365	300	-	269,899	77,546	20,365,393	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,462,290	-	2,462,290	-
TOTAL LIABILITIES AND EQUITY	12,394,133	3,488,823	2,869,366	801,909	461,052	2,365	300	-	2,732,189	77,546	22,827,683	
On-balance sheet profit sensitivity gap	(1,089,842)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,046,497	2,628,641	(1,182,462)	83,998	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	1,275,000	1,275,000	-
TOTAL PROFIT SENSITIVITY GAP	(1,089,842)	(2,369,879)	(899,278)	(85,662)	292,421	1,575,566	1,046,497	2,628,641	(1,182,462)	1,358,998	1,275,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Effects of rate of return risk

- Earnings at Risk ("EAR")

  The focus of analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Group and the Bank by undermining its capital adequacy and reducing market confidence.

- Economic Value of Equity ("EVE")

  Economic value of an instrument represents an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of the Group and the Bank can be viewed as the present value of the Group's and the Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance sheet position. The sensitivity of the Group's and the Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and Management.

- Value at Risk ("VaR")

  VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

Rate of return risk measurement

- Gap analysis

  Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (re-priced) over the residual maturity period or on maturity.

  A rate sensitive gap greater than one (>1) implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of return rises, the income on assets will increase faster than the funding costs, resulting in higher spread income.

  A rate sensitive gap less than one (<1) suggests a higher ratio of rate of return in sensitive liabilities than in sensitive assets. If rate of returns rises, funding costs will grow at a faster rate than the income on assets, resulting in a fall in spread income (net rate of return income).

- Simulation analysis

  Detail assessments on the potential effects of changes in rate of return on the Group's and the Bank's earnings are carried out by simulating future path of rate of returns and also their impact on cash flows.

  Simulation analysis will also be used to evaluate the impact of possible decisions on the following:
  - Product pricing changes;
  - New product introduction;
  - Derivatives and hedging strategies; and
  - Changes in the asset-liability mix.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Sensitivity analysis for rate of return risk

The analysis measures the increase or decline in earnings and economic value for upward and downward rate shocks, which are consistent with shocks applied in the stress test for measuring:

	Group		Bank	
Increase/(decrease) in basis points	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**
Impact on Earnings:				
31 December 2020				
MYR	**(21,994)**	**21,994**	**(21,937)**	**21,937**
USD	**1,851**	**(1,851)**	**1,851**	**(1,851)**
Others*	**35**	**(35)**	**35**	**(35)**
31 December 2019				
MYR	(8,360)	8,360	(8,360)	8,360
USD	1,587	(1,587)	1,587	(1,587)
Others*	37	(37)	37	(37)
Impact on Equity:				
31 December 2020				
MYR	**(30,292)**	**30,292**	**(30,284)**	**30,284**
USD	**417**	**(417)**	**417**	**(417)**
Others*	**63**	**(63)**	**63**	**(63)**
31 December 2019				
MYR	(51,189)	51,189	(51,189)	51,189
USD	376	(376)	376	(376)
Others*	36	(36)	36	(36)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating in business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three (3) types of foreign exchange risk, namely, translation risk, transactional risk and economic risk, which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("FX NOP") to measure, control and monitor its FX risk, and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound, Japanese Yen and Canadian Dollar. The "others" foreign exchange risk include mainly exposures to United Arab Emirates Dirham, Qatari Rial and Singapore Dollar.

Group 31 December 2020	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	2,732,231	176,551	428	661	9,822	1,164	5,503	3,457	3,355	2,933,172
Cash and placements with financial institutions	10,392	20,025	-	-	-	-	-	-	-	30,417
Financial investments designated at fair value through profit and loss	148,085	165,252	-	-	-	-	-	-	-	313,337
Financial assets at fair value through other comprehensive income	3,798,964	-	-	-	-	-	-	-	-	3,798,964
Financial assets at amortised cost	105,544	-	-	-	-	-	-	-	-	105,544
Islamic derivative financial assets	47,820	-	-	-	-	-	-	-	-	47,820
Financing of customers	18,056,919	58,896	-	-	-	-	-	-	-	18,115,815
Other assets	113,170	3	-	-	-	-	-	-	-	113,173
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	-	-	95,255
Investment properties	55,890	-	-	-	-	-	-	-	-	55,890
Right-of-use assets	37,702	45	-	-	-	-	-	-	-	37,747
Intangible assets	65,192	-	-	-	-	-	-	-	-	65,192
Property, plant and equipment	55,192	-	-	-	-	-	-	-	-	55,192
Deferred tax assets	351	-	-	-	-	-	-	-	-	351
Total assets	25,322,707	420,772	428	661	9,822	1,164	5,503	3,457	3,355	25,767,869

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 31 December 2020	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	20,950,099	535,200	28	-	11,828	2,182	-	-	2,029	21,501,366
Deposits and placements of banks and other financial institutions	99,002	(656)	-	-	-	-	-	-	-	98,346
Bills and acceptances payable	6,283	1	25	-	-	-	-	-	1	6,310
Islamic derivative financial liabilities	167,334	-	-	-	-	-	-	-	-	167,334
Other liabilities	87,672	872	-	-	72	(75)	-	-	-	88,541
Lease liabilities	41,591	50	-	-	-	-	-	-	-	41,641
Provision for taxation and zakat	4,378	-	-	-	-	-	-	-	-	4,378
Recourse obligation on financing sold to Cagamas	444,141	-	-	-	-	-	-	-	-	444,141
Subordinated sukuk	250,642	-	-	-	-	-	-	-	-	250,642
Senior sukuk	502,692	-	-	-	-	-	-	-	-	502,692
Total liabilities	22,565,660	535,467	53	-	11,900	2,107	-	-	2,030	23,117,217
On-balance sheet open position	2,757,047	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,650,652
Less: Islamic derivative financial assets	(47,820)	-	-	-	-	-	-	-	-	(47,820)
Add: Islamic derivative financial liabilities	167,334	-	-	-	-	-	-	-	-	167,334
Net open position	2,876,561	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,770,166

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating in business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three (3) types of foreign exchange risk, namely, translation risk, transactional risk and economic risk, which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("FX NOP") to measure, control and monitor its FX risk, and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound, Japanese Yen and Canadian Dollar. The "others" foreign exchange risk include mainly exposures to United Arab Emirates Dirham, Qatari Rial and Singapore Dollar.

Group 31 December 2019	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	865,782	107,283	1,844	280	4,915	3,106	21,305	3,332	3,378	1,011,225
Cash and placements with financial institutions	13,877	40,048	-	-	-	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	139,684	169,109	-	-	-	-	-	-	-	308,793
Financial assets at fair value through other comprehensive income	4,596,572	8,252	-	-	-	-	-	-	-	4,604,824
Financial assets at amortised cost	103,162	-	-	-	-	-	-	-	-	103,162
Islamic derivative financial assets	21,859	-	-	-	-	-	-	-	-	21,859
Financing of customers	15,855,680	5,558	-	-	-	-	-	-	-	15,861,238
Other assets	40,358	1,016	-	-	-	296	-	-	-	41,670
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	-	-	568,768
Investment properties	53,063	-	-	-	-	-	-	-	-	53,063
Right-of-use assets	48,060	62	-	-	-	-	-	-	-	48,122
Intangible assets	82,538	-	-	-	-	-	-	-	-	82,538
Property, plant and equipment	56,092	-	-	-	-	-	-	-	-	56,092
Deferred tax assets	13,534	-	-	-	-	-	-	-	-	13,534
Total assets	22,459,029	331,328	1,844	280	4,915	3,402	21,305	3,332	3,378	22,828,813

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 31 December 2019	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	18,530,451	397,166	2,021	-	3,980	2,257	-	-	4,677	18,940,552
Deposits and placements of banks and other financial institutions	6,303	-	-	-	-	-	-	-	-	6,303
Bills and acceptances payable	8,413	1	-	-	-	-	-	-	30	8,444
Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	-	77,546
Other liabilities	53,090	200	-	-	67	(73)	-	-	-	53,284
Leases liabilities	51,590	69	-	-	-	-	-	-	-	51,659
Provision for taxation and zakat	9,508	20	-	-	-	-	-	-	-	9,528
Recourse obligation on financing sold to Cagamas	459,633	-	-	-	-	-	-	-	-	459,633
Subordinated sukuk	250,532	-	-	-	-	-	-	-	-	250,532
Senior sukuk	502,517	-	-	-	-	-	-	-	-	502,517
Total liabilities	19,949,583	397,456	2,021	-	4,047	2,184	-	-	4,707	20,359,998
On-balance sheet open position	2,509,446	(66,128)	(177)	280	868	1,218	21,305	3,332	2,003	2,468,815
Less: Islamic derivative financial assets	(21,859)	-	-	-	-	-	-	-	-	(21,859)
Add: Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	-	77,546
Net open position	2,565,133	(66,128)	(177)	280	868	1,218	21,305	3,332	2,003	2,524,502

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 31 December 2020	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	2,732,231	176,551	428	661	9,822	1,164	5,503	3,457	3,355	2,933,172
Cash and placements with financial institutions	10,392	20,025	-	-	-	-	-	-	-	30,417
Financial investments designated at fair value through profit and loss	148,085	165,252	-	-	-	-	-	-	-	313,337
Financial assets at fair value through other comprehensive income	3,796,497	-	-	-	-	-	-	-	-	3,796,497
Financial assets at amortised cost	105,544	-	-	-	-	-	-	-	-	105,544
Islamic derivative financial assets	47,820	-	-	-	-	-	-	-	-	47,820
Financing of customers	18,051,306	58,896	-	-	-	-	-	-	-	18,110,202
Other assets	112,342	3	-	-	-	-	-	-	-	112,345
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	-	-	95,255
Investment in subsidiaries	13,159	-	-	-	-	-	-	-	-	13,159
Investment properties	55,890	-	-	-	-	-	-	-	-	55,890
Right-of-use assets	31,544	45	-	-	-	-	-	-	-	31,588
Intangible assets	64,977	-	-	-	-	-	-	-	-	64,977
Property, plant and equipment	55,156	-	-	-	-	-	-	-	-	55,156
Total assets	25,320,198	420,772	428	661	9,822	1,164	5,503	3,457	3,355	25,765,359

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 31 December 2020	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	20,962,891	535,200	28	-	11,828	2,182	-	-	2,029	21,514,158
Deposits and placements of banks and other financial institutions	99,002	(656)	-	-	-	-	-	-	-	98,346
Bills and acceptances payable	6,283	1	25	-	-	-	-	-	1	6,310
Islamic derivative financial liabilities	167,334	-	-	-	-	-	-	-	-	167,334
Other liabilities	88,204	872	-	-	72	(75)	-	-	-	89,073
Lease liabilities	33,968	50	-	-	-	-	-	-	-	34,018
Provision for taxation and zakat	4,280	-	-	-	-	-	-	-	-	4,280
Recourse obligation on financing sold to Cagamas	444,141	-	-	-	-	-	-	-	-	444,141
Deferred tax liabilities	11,826	-	-	-	-	-	-	-	-	11,826
Subordinated sukuk	250,642	-	-	-	-	-	-	-	-	250,642
Senior sukuk	502,692	-	-	-	-	-	-	-	-	502,692
Total liabilities	22,571,263	535,467	53	-	11,900	2,107	-	-	2,030	23,122,820
On-balance sheet open position	2,748,935	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,642,539
Less: Islamic derivative financial assets	(47,820)	-	-	-	-	-	-	-	-	(47,820)
Add: Islamic derivative financial liabilities	167,334	-	-	-	-	-	-	-	-	167,334
Net open position	2,868,449	(114,695)	375	661	(2,078)	(943)	5,503	3,457	1,325	2,762,053

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 31 December 2019	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Assets										
Cash and short-term funds	865,782	107,283	1,844	280	4,915	3,106	21,305	3,332	3,378	1,011,225
Cash and placements with financial institutions	13,877	40,048	-	-	-	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	139,684	169,109	-	-	-	-	-	-	-	308,793
Financial assets at fair value through other comprehensive income	4,594,147	8,252	-	-	-	-	-	-	-	4,602,399
Financial assets at amortised cost	103,162	-	-	-	-	-	-	-	-	103,162
Islamic derivative financial assets	21,859	-	-	-	-	-	-	-	-	21,859
Financing of customers	15,851,785	5,558	-	-	-	-	-	-	-	15,857,343
Other assets	39,468	1,016	-	-	-	296	-	-	-	40,780
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	-	-	568,768
Investment in subsidiaries	13,159	-	-	-	-	-	-	-	-	13,159
Investment properties	53,063	-	-	-	-	-	-	-	-	53,063
Right-of-use assets	41,404	62	-	-	-	-	-	-	-	41,466
Intangible assets	82,427	-	-	-	-	-	-	-	-	82,427
Property, plant and equipment	56,064	-	-	-	-	-	-	-	-	56,064
Deferred tax assets	13,250	-	-	-	-	-	-	-	-	13,250
Total assets	22,457,899	331,328	1,844	280	4,915	3,402	21,305	3,332	3,378	22,827,683

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 31 December 2019	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Canadian Dollar RM'000	Others RM'000	Total RM'000
Liabilities										
Deposits from customers	18,544,905	397,166	2,021	-	3,980	2,257	-	-	4,677	18,955,006
Deposits and placements of banks and other financial institutions	6,303	-	-	-	-	-	-	-	-	6,303
Bills and acceptances payable	8,413	1	-	-	-	-	-	-	30	8,444
Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	-	77,546
Other liabilities	52,122	200	-	-	67	(73)	-	-	-	52,316
Lease liabilities	43,754	69	-	-	-	-	-	-	-	43,823
Provision for taxation and zakat	9,252	20	-	-	-	-	-	-	-	9,272
Recourse obligation on financing sold to Cagamas	459,633	-	-	-	-	-	-	-	-	459,633
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Subordinated sukuk	250,532	-	-	-	-	-	-	-	-	250,532
Senior sukuk	502,517	-	-	-	-	-	-	-	-	502,517
Total liabilities	19,954,977	397,456	2,021	-	4,047	2,184	-	-	4,707	20,365,392
On-balance sheet open position	2,502,922	(66,128)	(177)	280	868	1,218	21,305	3,332	(1,329)	2,462,291
Less: Islamic derivative financial assets	(21,859)	-	-	-	-	-	-	-	-	(21,859)
Add: Islamic derivative financial liabilities	77,546	-	-	-	-	-	-	-	-	77,546
Net open position	2,558,609	(66,128)	(177)	280	868	1,218	21,305	3,332	(1,329)	2,517,978

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group and the Bank foreign currency positions.

	Group and Bank			
	31 December 2020		31 December 2019	
	RM'000 1% appreciation	RM'000 1% depreciation	RM'000 1% appreciation	RM'000 1% depreciation
Impact to profit after tax and reserves	**1,064**	**(1,064)**	406	(406)

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency (MYR). The result implies that the Group and the Bank may be subjected to additional translation (loss)/gain if MYR appreciated/depreciated against other currencies or vice versa.

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost while market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and with insufficient volumes, at a reasonable price.

The Group and the Bank monitor the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group's and the Bank's ability to maintain a stable liquidity profile is primarily due to its success in retaining and growing its customer deposits base.

The marketing strategy of the Group and the Bank has ensured a balanced mix of deposits level. Stability of the deposits base thus minimises the Group's and the Bank's dependency on volatile short-term receiving. Considering the effective maturities of deposits are based largely on retention history (behavioral method) and in view of the ready availability of liquidity investments, the Group and the Bank are able to ensure that sufficient liquidity is always available whenever necessary.

The Asset & Liability Working Committee ("ALCO") chaired by the Chief Executive Officer, is being conducted on monthly basis, which purpose is to review the Liquidity Gap Profile of the Group and the Bank. In addition, the Group and the Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The tables depicted in the following pages are the analysis of assets and liabilities of the Group and the Bank as at 31 December 2020 based on remaining contractual maturities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity:

Group 31 December 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Assets							
Cash and short-term funds	2,369,462	563,710	-	-	-	-	2,933,172
Cash and placements with financial institution	-	-	30,417	-	-	-	30,417
Financial investments designated at fair value through profit and loss	-	-	-	12,176	-	301,161	313,337
Financial assets at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,757,750	3,798,965
Financial assets at amortised cost	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	13,084,599	18,115,816
Other assets	-	646	-	-	112,027	310,125	422,798
Total assets	2,435,706	1,399,321	1,959,881	1,278,470	2,135,312	16,559,179	25,767,869
Liabilities							
Deposits from customers	9,509,884	4,662,369	3,232,770	2,894,806	725,795	475,742	21,501,366
Deposits and placements of banks and other financial institutions	-	25	28	283	485	97,525	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	107,516	167,334
Other liabilities	-	23,084	5,367	943	76,516	40,476	146,386
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	444,141	444,141
Subordinated sukuk	-	-	-	250,642	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	502,692
Total liabilities	9,513,656	4,710,212	3,263,752	3,161,312	1,302,885	1,165,400	23,117,217
Net maturity mismatch	(7,077,950)	(3,310,891)	(1,303,871)	(1,882,842)	832,427	15,393,779	2,650,652

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Group 31 December 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Commitments and contingencies							
Contingent iabilities	7,439	4,187	31,617	46,925	76,100	565,112	731,380
Commitments	65,182	93,499	199,988	74,779	433,772	785,259	1,652,479
Other Miscellaneous Commitmen and Contingent Liabilities	6,455	88	-	161	2	396	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	1,200,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	2,550,767	6,917,484

Group 31 December 2019	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Assets							
Cash and short-term funds	980,935	30,290	-	-	-	-	1,011,225
Cash and placements with financial institution	-	-	53,925	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	308,793
Financial assets at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,830,480	4,604,824
Financial assets at amortised cost	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	11,422,972	15,861,238
Other assets	-	1,381	-	-	39,688	822,718	863,787
Total assets	1,030,319	672,491	1,363,318	1,823,515	2,620,154	15,319,016	22,828,813

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Group 31 December 2019	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Liabilities							
Deposits from customers	8,217,263	4,214,031	3,520,052	1,396,715	1,499,877	92,614	18,940,552
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Other liabilities	-	15,122	2,577	2,564	52,997	41,211	114,471
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	459,633	459,633
Subordinated sukuk	-	-	-	637	-	249,895	250,532
Senior sukuk	-	-	-	2,765	-	499,752	502,517
Total liabilities	8,218,800	4,237,655	3,533,321	1,414,293	1,554,807	1,401,122	20,359,998
Net maturity mismatch	(7,188,481)	(3,565,164)	(2,170,003)	409,222	1,065,347	13,917,894	2,468,815
Commitments and contingencies							
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	521,022	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	218,985	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	1,200,000	4,240,284
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,940,007	6,596,494

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 31 December 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Assets							
Cash and short-term funds	2,369,462	563,710	-	-	-	-	2,933,172
Cash and placements with financial institution	-	-	30,417	-	-	-	30,417
Financial investments designated at fair value through profit and loss	-	-	-	12,176	-	301,161	313,337
Financial assets at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,755,283	3,796,498
Financial assets at amortised cost	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	13,078,985	18,110,202
Other assets	3	646	-	-	111,198	316,522	428,369
Total assets	2,435,709	1,399,321	1,959,881	1,278,470	2,134,483	16,557,495	25,765,359

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 31 December 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Liabilities							
Deposits from customers	9,514,409	4,670,742	3,232,737	2,894,773	725,772	475,725	21,514,158
Deposits and placements of banks and other financial institutions	-	25	28	283	485	97,525	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	107,516	167,334
Other liabilities	-	23,865	5,367	1,305	76,167	32,494	139,198
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	444,141	444,141
Subordinated sukuk	-	-	-	250,642	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	502,692
Total liabilities	9,518,181	4,719,366	3,263,719	3,161,641	1,302,513	1,157,401	23,122,821
Net maturity mismatch	(7,082,472)	(3,320,045)	(1,303,838)	(1,883,171)	831,970	15,400,094	2,642,538
Commitments and contingencies							
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	565,112	731,380
Commitments	65,182	93,499	199,988	74,779	433,772	785,259	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	396	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	1,200,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	2,550,767	6,917,484

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 31 December 2019	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Assets							
Cash and short-term funds	980,935	30,290	-	-	-	-	1,011,225
Cash and placements with financial institution	-	-	53,925	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	308,793
Financial assets at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,828,055	4,602,399
Financial assets at amortised cost	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	11,419,077	15,857,343
Other assets	(53)	1,381	-	-	38,851	828,798	868,977
Total assets	1,030,266	672,491	1,363,318	1,823,515	2,619,317	15,318,776	22,827,683
Liabilities							
Deposits from customers	8,224,917	4,220,831	3,520,052	1,396,715	1,499,877	92,614	18,955,006
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Other liabilities	-	14,480	2,577	3,062	52,415	32,877	105,411
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	459,633	459,633
Subordinated sukuk	-	-	-	637	-	249,895	250,532
Senior sukuk	-	-	-	2,765	-	499,752	502,517
Total liabilities	8,226,454	4,243,813	3,533,321	1,414,791	1,554,225	1,392,788	20,365,392
Net maturity mismatch	(7,196,188)	(3,571,322)	(2,170,003)	408,724	1,065,092	13,925,988	2,462,291

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets, liabilities, commitments and contingencies based on remaining contractual maturity: (cont'd.)

Bank 31 December 2019	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
Commitments and contingencies							
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	521,022	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	218,985	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	1,200,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,809	1,391,287	1,135,801	1,940,007	6,596,494

(ii) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

	Deposits from customers						
Group	**Up to 7 Days RM'000**	**>7 Days - 1 Month RM'000**	**>1-3 Months RM'000**	**>3-6 Months RM'000**	**>6-12 Months RM'000**	**>1 Year RM'000**	**Total RM'000**
31 December 2020							
By contractual maturity	**9,509,884**	**4,662,369**	**3,232,770**	**2,894,806**	**725,795**	**475,742**	**21,501,366**
By behavioural maturity	**4,050,725**	**2,971,799**	**2,454,515**	**942,106**	**1,056,324**	**10,025,897**	**21,501,366**
Difference	**5,459,159**	**1,690,570**	**778,255**	**1,952,700**	**(330,529)**	**(9,550,155)**	**-**
31 December 2019							
By contractual maturity	8,217,263	4,214,031	3,520,052	1,396,715	1,499,877	92,614	18,940,552
By behavioural maturity	2,182,468	1,451,705	1,428,728	581,395	640,718	12,655,538	18,940,552
Difference	6,034,795	2,762,326	2,091,324	815,320	859,159	(12,562,924)	-
Bank							
31 December 2020							
By contractual maturity	**9,514,409**	**4,670,742**	**3,232,737**	**2,894,773**	**725,772**	**475,725**	**21,514,158**
By behavioural maturity	**4,051,381**	**2,972,609**	**2,455,238**	**942,447**	**1,056,891**	**10,035,592**	**21,514,158**
Difference	**5,463,028**	**1,698,133**	**777,499**	**1,952,326**	**(331,119)**	**(9,559,867)**	**-**
31 December 2019							
By contractual maturity	8,224,917	4,220,831	3,520,052	1,396,715	1,499,877	92,614	18,955,006
By behavioural maturity	2,183,486	1,452,623	1,429,576	581,756	641,191	12,666,374	18,955,006
Difference	6,041,431	2,768,208	2,090,476	814,959	858,686	(12,573,760)	-

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables depicted in the following pages will not agree to the balances reported in the statement of financial position as the Tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
31 December 2020							
Non-derivative liabilities							
Deposits from customers	9,509,627	4,659,314	3,228,308	2,885,280	752,815	2,229,190	23,264,534
Deposits and placements of banks and other financial institutions	-	25	28	283	485	102,975	103,796
Bills and acceptances payable	-	-	6,310	-	-	-	6,310
Other liabilities	-	21,960	-	-	66,580	-	88,540
Leases liabilities	-	1,219	5,817	1,064	6,363	36,485	50,948
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,811	470,811
Subordinated sukuk	-	-	-	257,892	-	-	257,892
Senior sukuk	-	-	-	16,561	513,631	-	530,192
Derivative liabilities	3,772	24,734	19,277	11,827	208	107,516	167,334
Total financial liabilities	9,513,399	4,707,252	3,259,740	3,172,907	1,340,082	2,946,977	24,940,357

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
31 December 2019							
Non-derivative liabilities							
Deposits from customers	8,217,558	4,217,208	3,528,046	1,413,059	1,528,402	136,189	19,040,462
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	5,077	6,540
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Other liabilities	-	15,122	-	-	38,162	-	53,284
Leases liabilities	-	-	2,803	2,721	5,868	47,162	58,554
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	507,331	507,331
Subordinated sukuk	-	-	-	7,887	7,250	257,145	272,282
Senior sukuk	-	-	-	16,515	13,750	527,252	557,517
Derivative liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Total financial liabilities	8,219,095	4,240,832	3,541,541	1,451,794	1,595,365	1,533,333	20,581,960

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000	Total RM'000
31 December 2020							
Non-derivative liabilities							
Deposits from customers	9,514,152	4,667,695	3,228,275	2,885,247	752,792	2,229,173	23,277,334
Deposits and placements of banks and other financial institutions	-	25	28	283	485	102,975	103,796
Bills and acceptances payable	-	-	6,310	-	-	-	6,310
Other liabilities	-	22,741	-	-	66,331	-	89,072
Leases liabilities	-	1,219	5,817	1,426	6,363	28,501	43,326
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	470,811	470,811
Subordinated sukuk	-	-	-	257,892	-	-	257,892
Senior sukuk	-	-	-	16,561	513,631	-	530,192
Derivative liabilities	3,772	24,734	19,277	11,827	208	107,516	167,334
Total financial liabilities	9,517,924	4,716,414	3,259,707	3,173,236	1,339,810	2,938,976	24,946,067

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31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year Months RM'000 Restated	Total RM'000
31 December 2019							
Non-derivative liabilities							
Deposits from customers	8,225,212	4,224,021	3,528,046	1,413,059	1,528,402	136,189	19,054,929
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	5,077	6,540
Bills and acceptances payable	-	-	8,444	-	-	-	8,444
Leases liabilities	-	14,480	-	-	37,836	-	52,316
Other liabilities	-	-	2,803	3,219	5,868	38,826	50,716
Recourse obligation on financing sold to Cagamas Berhad	-	-	-	-	-	507,331	507,331
Subordinated sukuk	-	-	-	7,887	7,250	257,145	272,282
Senior sukuk	-	-	-	16,515	13,750	527,252	557,517
Derivative liabilities	1,537	8,451	2,106	11,359	916	53,177	77,546
Total financial liabilities	8,226,749	4,247,003	3,541,541	1,452,292	1,595,039	1,524,997	20,587,621

(d) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and systems, human factors, and/or from various external events. The objective of operational risk management ("ORM") is to effectively manage these risks to minimize possible financial losses arising from operational lapses. In relation to ORM, the key risk organs which play a critical role in the overall integrated risk management framework are the ORM unit, Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, and the business lines.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

47. FAIR VALUE MEASUREMENTS

(a) Financial and non-financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement either directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial and non-financial instruments at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal Management's judgement and estimation, due to the low complexity of the financial instruments held.

The following table shows the financial and non-financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

Group 31 December 2020	Quoted Market Price Level 1 RM'000	Valuation technique using; Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	-	-	55,889	55,889
Financial assets				
Financial investments designated at fair value through profit or loss	-	10,492	302,845	313,337
Financial investments at FVOCI	104,410	3,689,924	4,631	3,798,965
Derivative financial assets	-	47,820	-	47,820
Total financial assets measured at fair value	104,410	3,748,236	307,476	4,160,122
Financial liabilities				
Derivative financial liabilities	-	167,334	-	167,334
Total financial liabilities measured at fair value	-	167,334	-	167,334

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47. FAIR VALUE MEASUREMENTS (CONT'D.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Group 31 December 2019	Quoted Market Price Level 1 RM'000	Valuation technique using: Observable Inputs Level 2 RM'000	Valuation technique using: Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	-	-	53,063	53,063
Financial assets				
Financial investments designated at fair value through profit or loss	-	10,321	298,472	308,793
Financial investments at FVOCI	100,621	4,498,322	5,881	4,604,824
Derivative financial assets	-	21,859	-	21,859
Total financial assets measured at fair value	100,621	4,530,502	304,353	4,935,476
Financial liabilities				
Derivative financial liabilities	-	77,546	-	77,546
Total financial liabilities measured at fair value	-	77,546	-	77,546
Bank				
31 December 2020				
Non-financial assets				
Investment properties	**-**	**-**	**55,889**	**55,889**
Financial assets				
Financial investments designated at fair value through profit or loss	**-**	**10,492**	**302,845**	**313,337**
Financial investments at FVOCI	**101,944**	**3,689,923**	**4,631**	**3,796,498**
Derivative financial assets	**-**	**47,820**	**-**	**47,820**
Total financial assets measured at fair value	**101,944**	**3,748,235**	**307,476**	**4,157,655**
Financial liabilities				
Derivative financial liabilities	**-**	**167,334**	**-**	**167,334**
Total financial liabilities measured at fair value	**-**	**167,334**	**-**	**167,334**

47. FAIR VALUE MEASUREMENTS (CONT'D.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Bank 31 December 2019	Quoted Market Price Level 1 RM'000	Valuation technique using; Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	Total RM'000
Non-financial assets				
Investment properties	-	-	53,063	53,063
Financial assets				
Financial investments designated at fair value through profit or loss	-	10,321	298,472	308,793
Financial investments at FVOCI	98,196	4,498,322	5,881	4,602,399
Derivative financial assets	-	21,859	-	21,859
Total financial assets measured at fair value	98,196	4,530,502	304,353	4,933,051
Financial liabilities				
Derivative financial liabilities	-	77,546	-	77,546
Total financial liabilities measured at fair value	-	77,546	-	77,546

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31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

47. FAIR VALUE MEASUREMENTS (CONT'D.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Reconciliation of financial assets at fair value measurements in Level 3 of the fair value hierarchy:

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
At 1 January 2020	**304,353**	321,050
Gain/(loss) recognised in profit or loss	**9,007**	(2,954)
Purchases	**-**	500
Sales	**(2,818)**	(14,779)
Foreign exchange translation difference	**(3,066)**	536
At 31 December 2020	**307,476**	304,353

	Group and Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Total gain/(loss) recognised in profit or loss for financial instruments measured at fair value at the end of the financial year	**9,007**	(2,954)

47. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below.

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
31 December 2020					
Financial assets					
Financial investments at amortised cost	-	186,424	-	186,424	105,544
Financing of customers	-	11,020,267	6,090,278	17,110,545	18,115,817
Financial liabilities					
Deposits from customers	-	2,410,018	19,094,629	21,504,647	21,501,366
Deposits and placements of banks and other financial institutions	-	-	99,898	99,898	98,346
Bills and acceptances payable	-	-	6,310	6,310	6,310
Subordinated sukuk	-	252,595	-	252,595	250,642
Senior sukuk	-	509,481	-	509,481	502,692
31 December 2019					
Financial assets					
Financial investments at amortised cost	-	161,996	-	161,996	103,162
Financing of customers	-	9,355,448	5,279,521	14,634,969	15,861,238
Financial liabilities					
Deposits from customers	-	2,154,452	16,786,452	18,940,904	18,940,552
Subordinated sukuk	-	254,925	-	254,925	250,532
Senior sukuk	-	514,285	-	514,285	502,517

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47. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value (cont'd.)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying Amount RM'000
31 December 2020					
Financial assets					
Financial investments at amortised cost	**-**	**186,424**	**-**	**186,424**	**105,544**
Financing of customers	**-**	**11,020,267**	**6,101,168**	**171,121,435**	**18,110,202**
Financial liabilities					
Deposits from customers	**-**	**2,410,018**	**19,107,420**	**21,517,438**	**21,514,158**
Deposits and placements of banks and other financial institutions	**-**	**-**	**99,898**	**99,898**	**98,346**
Bills and acceptances payable	**-**	**-**	**6,310**	**6,310**	**6,310**
Subordinated sukuk	**-**	**252,595**	**-**	**252,595**	**250,642**
Senior sukuk	**-**	**509,481**	**-**	**509,481**	**502,692**
31 December 2019					
Financial assets					
Financial investments at amortised cost	-	161,996	-	161,996	103,162
Financing of customers	-	9,355,448	5,275,625	14,631,073	15,857,343
Financial liabilities					
Deposits from customers	-	2,154,452	16,800,904	18,955,356	18,955,006
Subordinated sukuk	-	254,925	-	254,925	250,532
Senior sukuk	-	514,285	-	514,285	502,517

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two (2) parties under normal market conditions. However, for certain assets such as financing and deposits, the respective fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions depicted below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

Fair value information has been disclosed for the Group's and the Bank's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group and the Bank do not intend to dispose off this investment in the foreseeable future.

47. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments not carried at fair value (cont'd.)

Financing of customers

The fair values of financing of customers not designated as hedged item 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 customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.

Deposits from customers

The fair values of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

Subordinated sukuk & Senior sukuk

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

48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

				Amount not set off in the statement of financial position		
Group and Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statement of financial position RM'000	Net amount presented in the statement of financial position RM'000	Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	Net amount RM'000
31 December 2020						
Derivative assets	**47,820**	**-**	**47,820**	**-**	**-**	**47,820**
Derivative liabilities	**(167,335)**	**-**	**(167,335)**	**-**	**-**	**(167,335)**
31 December 2019						
Derivative assets	21,859	-	21,859	-	-	21,859
Derivative liabilities	(77,546)	-	(77,546)	-	-	(77,546)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and

(ii) cash or securities are received or cash pledged in respect of the transaction described above.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

49. CAPITAL AND OTHER COMMITMENTS

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Approved and contracted for	**3,818**	6,125
Approved but not contracted for	**138,219**	158,187
	142,037	164,312

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Approved and contracted for	**3,818**	6,125
Approved but not contracted for	**138,338**	158,218
	142,156	164,343

50. CAPITAL ADEQUACY

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	Group	
	31 December 2020 RM'000	31 December 2019 RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	**15,081,238**	13,089,369
Total market RWA	**22,546**	35,361
Total operational RWA	**1,259,314**	1,218,544
Total RWA	**16,363,098**	14,343,274
Computation of capital ratios		
Tier-I capital		
Share capital	**1,195,000**	1,195,000
Retained profits	**1,392,969**	1,193,264
Other Reserves		
Regulatory reserve	**45,411**	62,676
FVOCI reserve	**18,240**	18,008
Foreign exchange translation reserve	**(968)**	(133)
Less: Regulatory Adjustment		
Deferred tax assets	**(39,422)**	(25,827)
Investment property gain	**(7,496)**	(5,542)
Regulatory reserve	**(45,411)**	(62,676)
FVOCI reserve	**(10,032)**	(9,905)
Intangible asset (net of deferred tax liabilities)	**(14,293)**	(70,244)
Total Common Equity Tier-I Capital	**2,533,998**	2,294,621
Total Tier-I Capital	**2,533,998**	2,294,621
Tier-II capital		
Subordinated sukuk	**250,000**	250,532
Loss provision and regulatory reserve*	**150,659**	127,785
Add: Investment property gain	**3,373**	2,494
Total Tier-II Capital	**404,032**	380,811
Total Capital Base	**2,938,030**	2,675,432
Ratio (%)		
CET 1 Capital	**15.486%**	15.998%
Tier 1 Capital	**15.486%**	15.998%
Total Capital	**17.955%**	18.653%

* Tier 2 Capital for 2019 comprise collective allowance on non-impaired financing customers and regulatory reserve.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

50. CAPITAL ADEQUACY (CONT'D.)

(a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows:

	Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	**15,063,327**	13,073,524
Total market RWA	**22,546**	35,361
Total operational RWA	**1,250,046**	1,206,121
Total RWA	**16,335,919**	14,315,006
Computation of capital ratios		
Tier-I capital		
Share capital	**1,195,000**	1,195,000
Retained profits	**1,384,856**	1,186,740
Other Reserves		
Regulatory reserve	**45,411**	62,676
FVOCI reserve	**18,240**	18,008
Foreign exchange translation reserve	**(968)**	(133)
Regulatory Adjustment		
Deferred tax assets	**(39,070)**	(25,543)
Investment property gain	**(7,496)**	(5,542)
Regulatory reserve	**(45,411)**	(62,676)
FVOCI reserve	**(10,032)**	(9,904)
Investment in subsidiaries	**(13,159)**	(13,159)
Intangible asset (net of deferred tax liabilities)	**(14,080)**	(70,134)
Total Common Equity Tier-I Capital	**2,513,291**	2,275,333
Total Tier-I Capital	**2,513,291**	2,275,333
Tier-II capital		
Subordinated sukuk	**250,000**	250,532
Loss provision and regulatory reserve*	**150,659**	127,785
Add: Investment property gain	**3,373**	2,494
Total Tier-II Capital	**404,032**	380,811
Total Capital Base	**2,917,323**	2,656,144
Ratio (%)		
CET 1 Capital	**15.385%**	15.895%
Tier 1 Capital	**15.385%**	15.895%
Total Capital	**17.858%**	18.555%

* Tier 2 Capital for 2019 comprise collective allowance on non-impaired financing customers and regulatory reserve.

50. CAPITAL ADEQUACY (CONT'D.)

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 4 August 2017 and 2 March 2017, respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA, respectively, for the current period (March 2019: 4.5%, 6.0% and 8.0% of total RWA).

(b) Credit risk disclosure by risk weights of the Group as at 31 December, are as follows:

	Group			
	31 December 2020		31 December 2019	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	**6,524,558**	**-**	5,902,452	-
20%	**1,910,642**	**382,128**	1,818,548	363,710
35%	**3,732,543**	**1,306,390**	3,110,625	1,088,719
50%	**1,310,235**	**655,118**	1,195,617	597,808
75%	**2,941,178**	**2,205,884**	3,175,251	2,381,439
100%	**10,511,929**	**10,511,929**	8,592,299	8,592,299
150%	**13,193**	**19,789**	43,596	65,394
Risk weighted assets for credit risk	**26,944,278**	**15,081,238**	23,838,388	13,089,369
Risk weighted assets for market risk		**22,546**		35,361
Risk weighted assets for operational risk		**1,259,314**		1,218,544
Total risk weighted assets		**16,363,098**		14,343,274

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

50. CAPITAL ADEQUACY (CONT'D.)

(b) Credit risk disclosure by risk weights of the Group as at 31 December, are as follows:

	Bank			
	31 December 2020		31 December 2019	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	**6,524,558**	**-**	5,902,452	-
20%	**1,910,642**	**382,128**	1,818,548	363,710
35%	**3,732,543**	**1,306,390**	3,110,625	1,088,719
50%	**1,310,235**	**655,118**	1,195,617	597,808
75%	**2,941,178**	**2,205,884**	3,175,251	2,381,439
100%	**10,502,441**	**10,502,441**	8,582,297	8,582,297
150%	**7,578**	**11,366**	39,701	59,551
Risk weighted assets for credit risk	**26,929,175**	**15,063,327**	23,824,491	13,073,524
Risk weighted assets for market risk		**22,546**		35,361
Risk weighted assets for operational risk		**1,250,046**		1,206,121
Total risk weighted assets		**16,335,919**		14,315,006

Capital management

The issuance of subordinated sukuk which qualifies for Tier 2 capital amounting to RM250 million (issued in June 2016), had ensured that the Group's and the Banks' RWCR remain competitive throughout the duration of the 5-year business plan.

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the Management level, capital management strategy review is a periodic exercise that is under the purview of Asset-Liability Working Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as broad environment, i.e. regulatory and macroeconomic setting.

Latest review exercise revealed that the management of the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much have been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.

51. SEGMENT INFORMATION

(a) Business segments

The Bank is organised into three (3) major business segments:

(i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered include long-term financing such as project financing, short-term credit (e.g Muamalat Cashline and trade financing), and fee-based services (e.g cash management).

(ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, fixed term accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products.

(iii) Treasury and investment banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

Investment banking focuses on business needs of mainly large corporate customers and financial institutions, which include corporate advisory services, bond issuances, Initial Public Offerings ("IPOs") and debt restructuring advisory services. It also explores investment opportunities via private equity investments for the Bank.

Other business segments include rental services, none of which is of sufficient size to be reported separately.

Group 31 December 2020	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	296,354	604,788	248,816	21,442	1,171,400
Total income	170,241	344,133	107,423	123,465	745,263
(Allowance for)/writeback of impairment on financing	(16,212)	(63,857)	-	-	(80,069)
Allowance for impairment losses on investments	-	-	(36)	-	(36)
Writeback of/(allowance for) impairment losses on other financial assets, net	-	-	313	(689)	(376)
Other expenses	-	-	-	(18,814)	(18,814)
Total net income	154,029	280,276	107,700	103,962	645,968
Total overhead expenses					(471,200)
Profit before zakat and taxation					174,768
Zakat					(3,352)
Taxation					1,441
Profit for the year					172,857

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Group 31 December 2019	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	229,379	512,435	198,154	17,579	957,547
Total income	111,076	278,333	59,181	101,125	549,715
Writeback of/(allowance for) impairment on financing	15,024	(36,611)	-	-	(21,587)
Allowance for impairment on investments	-	-	(2,466)	(600)	(3,066)
(Allowance for)/writeback of impairment on other financial assets, net	-	-	(139)	1,343	1,204
Other expenses	-	-	-	(7,329)	(7,329)
Total net income	126,100	241,722	56,576	94,539	518,937
Total overhead expenses					(378,624)
Profit before zakat dan taxation					140,313
Zakat					(3,770)
Taxation					(37,737)
Profit for the year					98,806

51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Bank 31 December 2020	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	296,354	604,788	243,911	21,442	1,166,495
Total Income	170,241	344,133	102,258	123,465	740,098
Allowance for impairment on financing	(16,212)	(63,857)	-	-	(80,069)
Allowance for impairment losses on investments	-	-	(36)	-	(36)
Writeback of/(allowance for) impairment losses on other financial assets, net	-	-	313	(689)	(376)
Other expenses	-	-	-	(18,814)	(18,814)
Total net income	154,029	280,276	102,535	103,962	640,803
Total overhead expenses					(469,587)
Profit before zakat and taxation					171,216
Zakat					(3,282)
Taxation					3,334
Profit for the year					171,268

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

51. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Bank 31 December 2019	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	229,379	512,435	194,692	17,579	954,085
Total Income	111,076	278,333	55,474	101,125	546,008
Writeback of/(allowance for) impairment on financing	15,024	(36,611)	-	-	(21,587)
Allowance for impairment losses on investments	-	-	(2,466)	-	(2,466)
Writeback of/(allowance for) impairment losses on other financial assets, net	-	-	(139)	1,343	1,204
Other expenses	-	-	-	(7,329)	(7,329)
Total net income	126,100	241,722	52,869	95,139	515,830
Total overhead expenses					(376,498)
Profit before zakat and taxation					139,332
Zakat					(3,706)
Taxation					(37,215)
Profit for the year					98,411

52. SHARIAH DISCLOSURES

(a) Shariah governance

Overview

The Group's and the Bank's shariah governance structure are governed by BNM's guidelines on Shariah Governance Policy Document which comes into effect on 1 April 2020 and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

In this context, Shariah non-compliance risk defined as the risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee ("SC") of the Group and the Bank and relevant Shariah Authorities ("SA") committees.

This risk is managed through the Shariah Governance Policy, which is endorsed by the SC and approved by the Board of Directors. The policy is drawn up in accordance to the Shariah Governance Policy Document.

To ensure the operations and business activities of the Group and the Bank remain consistent with Shariah principles and its requirements, the Bank has established its own internal SC and internal Shariah organisation, which consists of the Shariah Division, Shariah Audit under the Internal Audit Department, Shariah Review under the Compliance Division and Shariah Risk under the Risk Management Department.

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Policy on Management of Shariah Non-Compliance Income was formulated pursuant to the Shariah Governance Policy Document, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transactions that breaches the governing Shariah principles and requirements as determined by the Group's and the Bank's SC and/or other Shariah Authorities ("SA").

The SA are as follows:
- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevent Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

(i) Shariah non-compliance income and events

31 December 2020	No. of event	RM
Shariah non-compliance income during the year	2	-
Monthly Nostro interest received	-	-

31 December 2019	No. of event	RM
Shariah non-compliance income during the year	5	200
Monthly Nostro interest received	3	62

Any reported SNCI will be utilised to fund charitable activities as guided by SC of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

52. SHARIAH DISCLOSURES (CONT'D.)

(a) Shariah governance (cont'd.)

(ii) Unidentified fund

During the Group's and the Bank's daily operations, there are certain funds received by the Group and the Bank where the source is not clear or uncertain. These funds are therefore not recognised as income and are retained in the Maslahah Ammah account. The utilisation of the funds follow the similar procedures set for the SNCI funds.

Examples of unidentified funds are cash excess discovered at branch counter and ATMs, and unidentified credit balances.

	31 December 2020 RM'000	31 December 2019 RM'000
At 1 January 2020/1 April 2019	**712**	1
Sources of charity funds		
Unidentified credit balances during the year	**409**	711
Uses of charity funds		
Contribution to non-profit organisation	**(473)**	-
Undistributed charity funds as at 31 December 2020/31 December 2019	**648**	712

(b) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contract is dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

BASEL II
PILLAR 3 DISCLOSURE

BASEL II – PILLAR 3 DISCLOSURE

STATEMENT BY CHIEF EXECUTIVE OFFICER

In the name of Allah, The Most Beneficent, The Most Merciful

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation on the Pillar 3 disclosures of the Group and the Bank for year ended 31 December 2020.

Khairul Kamarudin
Chief Executive Officer

PILLAR 3 DISCLOSURE CONTENT

BASEL II
PILLAR 3 DISCLOSURE

ABBREVIATIONS

ALCO	Asset-Liability Management Committee
ALM	Asset and Liability Management
BCM	Business Continuity Management
BCP	Business Continuity Plan
BIA	Business Impact Analysis
BOD	Board of Director
BNM	Bank Negara Malaysia
BRMC	Board Risk Management Committee
BU	Business Unit
CAFIB	Capital Adequacy Framework for Islamic Banks
CBs	Corporate Bonds
CC	Credit Committee
CCR	Counterparty Credit Risk
CEO	Chief Executive Officer
CPs	Commercial Papers
CR	Credit Risk
CRP	Credit Risk Policy
CRM	Credit Risk Mitigation
CSRD	Credit Supervision and Recovery Department
EAR	Earning At Risk
ECAI	External Credit Assessment Institutions
ERMC	Executive Risk Management Committee
EVE	Economic Value Perspective
FDI	Foreign Direct Investments
GCRP	Guidelines to Credit Risk Policies
IC	Investment Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFIs	Islamic Financial Institutions
IFSB-10	Institutions Offering Islamic Financial Services
IPRS	Islamic Profit Rate Swap
IRB Approach	Internal Ratings Based Approach
MFRS 9	Malaysian Financial Reporting Standards
MARC	Malaysian Rating Corporation Berhad
MDB	Multilateral Development Bank
MISB	Muamalat Invest Sdn Bhd
MR	Market Risk
OR	Operational Risk
ORM	Operational Risk Management
ORMC	Operational Risk Management Committee
PDS	Private Debt Securities
PSEs	Non- Federal Government Public Sector Entities
RA	Risk Assessment
R&I	Rating and Investment Information, Inc
RAM	RAM Rating Services Berhad
RORBB	Rate of Return Risk in Banking Book
RMD	Risk Management Department
RWA	Risk Weighted Assets
RWCAF	Risk Weighted Capital Adequacy Framework
TBPS	Trading Book Policy Statement
S&P	Standard and Poor's
SC	Shariah Committee
SNCI	Shariah Non-Compliance Income
SRP	Shariah Review Program
SU	Support Unit
VaR	Value at Risk

OVERVIEW

The Pillar 3 Disclosure is a regulatory requirement aimed at enhancing market transparency and discipline. It is prepared in accordance to the Bank Negara Malaysia's ("BNM's") guidelines "Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosure Requirements ("Pillar 3")" and contains qualitative and quantitative information on Bank Muamalat Malaysia Berhad's ("BMMB") risk exposures and capital adequacy levels as well as on its capital and risk management practices.

In assessing its capital position, BMMB applies the prescribed Standardised Approach to measure its credit and market risk exposures and the Basic Indicator Approach for operational risk, as outlined under the BNM's CAFIB guidelines.

This Pillar 3 disclosure is published for the financial year ended 31 December 2020 and should be read in conjunction with BMMB's audited financial statement for the year ended 31 December 2020.

BASEL II
PILLAR 3 DISCLOSURE

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on BMMB and its subsidiaries (hereinafter referred as "the Group and the Bank"). Information on subsidiaries is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 2.2 to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

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.

All information in the ensuing paragraphs is based on the Group's position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the CAFIB.

This document discloses the Group's and the Bank's quantitative disclosures in accordance with the disclosure requirements as outlined in the CAFIB – Disclosure Requirements ("Pillar 3") issued by BNM.

These disclosures have been reviewed and verified by internal auditors and approved by the Board and Directors of the Group.

Scope of disclosure

The detailed scope of published disclosure is subject to the following classification of information:

- Insignificant, i.e. its exclusion or distortion cannot influence the assessment or decision of a person using such information to make economic decisions, or influence such an assessment or decision,
- Reserved, i.e. its public distribution might adversely influence the position of the Group and the Bank on the market according to regulations on competition and consumer protection,
- Subject to law-protected confidentiality, such information is not published. In case of not publishing reserved information or the one which is subject to law-protected confidentiality, the Group and the Bank disclose information which is less detailed.

2.0 CAPITAL MANAGEMENT

BMMB's capital management framework was designed to protect the interests of its key stakeholders and maximize shareholder value through optimum use of its capital resources. The primary capital management objective is to ensure efficient capital utilization while in pursuit of strategic and business objectives. It is also aimed at ensuring sufficient level of capital is maintained at all times to support the business growth targets and that it is kept in line with the Bank's risk appetite and regulatory requirements.

To determine the appropriate level and composition of capital to be held, the Bank uses the risk and capital adequacy assessment approaches as outlined under the Internal Capital Adequacy Assessment Process ("ICAAP"). The capital levels are assessed based on the Bank's strategic and business targets, taking into account current and forecasted economic and market conditions as well as the regulatory capital standards.

The Bank prepares its strategic, business and capital plans on an annual basis. Guided by the Board-approved risk appetite statement, the plans cover a minimum three-year planning horizon and are subjected to a stress test covering several possible stressed scenarios. Based on the ICAAP and stress test analysis, internal capital targets are set for key capital ratios to facilitate ongoing capital management and monitoring.

Arising from the strategic planning and capital assessment process, an annual capital plan is drawn up to ensure that sufficient capital is held to meet business growth targets as well as to maintain adequate buffer under adverse economic scenarios. The capital plan also addresses any capital issuance requirements, capital instrument composition and maturity profile, and capital contingency planning.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

BMMB's approach towards assessing the adequacy of its internal capital levels in relation to its risk profile is addressed in the Internal Capital Adequacy Assessment Process ("ICAAP"). This is in line with BNM's requirement as stipulated under the guideline, "Capital Adequacy Framework for Islamic Banks ("CAFIB") - Internal Capital Adequacy Assessment Process ("Pillar 2")".

The ICAAP covers an assessment of all risk exposures, particularly on those deemed as material risks, and the effectiveness of related risk controls and mitigations. The risk and capital assessment also looks at the adequacy of capital in relation to other discretionary and non-discretionary risk and where required, additional capital and buffers are allocated for risk exposures that are deemed inadequately covered under the Pillar 1 capital.

The ICAAP further addresses the current and future capital levels to be considered or maintained to ensure its adequacy to support the Bank's business operations on a going-concern basis. In terms of its capital mix, the Bank's capital consists primarily of Tier 1 capital and common equity, which enhances the Bank's ability to absorb potential losses under unforeseeable circumstances.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Stress Test

Stress testing is an important tool used in assessing and determining appropriateness of capital levels to ensure its ability to absorb stress events in order to protect the depositors and other stakeholders.

Stress testing is performed to identify early warning signs and potential risk events that may adversely impact the Bank's risk profile. Stress testing is also used to determine the level of capital buffers that are considered adequate to ensure that the Bank does not breach the minimum regulatory ratios under stress scenarios and to formulate appropriate management actions.

The Bank employs two stress test approaches, namely sensitivity and scenario analyses. The stress testing supports management and decision making in the following areas:

i. Assessment of the Bank's material risk profile under stress events and estimate the potential impact and implications to the Bank;

ii. Assessment of capital adequacy in relation to the Bank's risk profile, which is integral to the ICAAP;

iii. Facilitate capital and liquidity contingency planning across a range of stressed conditions and aiding in the development and formulation of appropriate strategies for maintaining required level of capital and management of identified risks; and

iv. Embedded as an integral part of the strategic planning and management process.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Core Capital Ratio	**15.486%**	15.998%	**15.385%**	15.895%
Risk-weighted capital ratio	**17.955%**	18.653%	**17.858%**	18.555%

The following table represents the Group's and Bank's capital position as at 31 December 2020. Details on capital instruments, including share capital and reserves are found in Notes 25 to 26 of the financial statements.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Table 2: Capital structure

	Group		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Tier-I capital				
Share capital	**1,195,000**	1,195,000	**1,195,000**	1,195,000
Retained profits	**1,392,969**	1,193,264	**1,384,856**	1,186,740
Other Reserves				
Regulatory reserve	**45,411**	62,676	**45,411**	62,676
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	**18,240**	18,008	**18,240**	18,008
Foreign exchange translation reserve	**(968)**	(133)	**(968)**	(133)
Regulatory Adjustment				
Less: Regulatory reserve	**(45,411)**	(62,676)	**(45,411)**	(62,676)
Unrealised losses on fair value through other comprehensive income ("FVOCI") financial instruments	**(10,032)**	(9,905)	**(10,032)**	(9,904)
Less: Investment property gain	**(7,496)**	(5,542)	**(7,496)**	(5,542
Less: Deferred tax assets	**(39,422)**	(25,827)	**(39,070)**	(25,543)
Less: Investment in subsidiaries	**-**	-	**(13,159)**	(13,159)
Less: Intangible Asset (net of deferred tax liabilities)	**(14,293)**	(70,244)	**(14,080)**	(70,134)
Total Tier-I Capital	**2,533,998**	2,294,621	**2,513,291**	2,275,333
Tier-II capital				
Subordinated sukuk	**250,000**	250,532	**250,000**	250,532
Collective assessment allowance for non-impaired financing and regulatory reserve	**150,659**	127,785	**150,659**	127,785
Add: Investment property gain	**3,373**	2,494	**3,373**	2,494
Total Tier-II Capital	**404,032**	380,811	**404,032**	380,811
Total Capital	**2,938,030**	2,675,432	**2,917,323**	2,656,144

The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 4 August 2017 and 2 March 2017 respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA respectively for the current period (31 December 2019: 4.5%, 6.0% and 8.0% of total RWA).

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2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

The following tables present the minimum regulatory capital requirement to support the Group's and the Bank's risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	31 December 2020		31 December 2019	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	**15,081,238**	**1,206,499**	13,089,369	1,047,149
Market Risk	**22,546**	**1,804**	35,361	2,829
Operational Risk	**1,259,314**	**100,745**	1,218,544	97,484
Total	**16,363,098**	**1,309,048**	14,343,275	1,147,462

	31 December 2020		31 December 2019	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Bank				
Credit Risk	**15,063,327**	**1,205,066**	13,073,524	1,045,882
Market Risk	**22,546**	**1,803**	35,361	2,828
Operational Risk	**1,250,046**	**100,004**	1,206,121	96,490
Total	**16,335,919**	**1,306,873**	14,315,007	1,145,199

The Group and the Bank do 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 the BNM's RWCAF.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group 31 December 2020	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,058,325	6,058,325	-	-
Public Sector Entities	251,982	251,793	50,359	4,029
Banks, Development Financial Institution & MDBs	669,900	669,900	164,563	13,165
Corporates	6,517,329	6,409,389	5,078,644	406,292
Regulator Retail	7,106,909	7,095,842	6,390,952	511,276
Residential Real Estate	4,640,167	4,640,167	1,926,428	154,114
Higher Risk Assets	826	826	1,239	99
Other Assets	447,352	447,351	304,027	24,321
Defaulted Exposures	107,289	107,289	83,954	6,716
	25,800,079	25,680,882	14,000,166	1,120,012
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,115,215	1,115,215	1,029,179	82,334
Derivative financial instruments	148,181	148,181	51,893	4,151
	1,263,396	1,263,396	1,081,072	86,485
Total Credit Exposures	27,063,475	26,944,278	15,081,238	1,206,497

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,432	(1,817)	14,850	1,190
Foreign Currency Risk	7,695	(6,075)	7,695	616
Equity Position Risk	-	-	-	-
			22,545	1,806
(iii) Operational Risk (Basic Indicators Approach)			1,259,315	100,745
(iv) Total RWA and Capital Requirements			16,363,098	1,309,048

* After netting and credit risk mitigation
** Credit Risk of off balance sheet items

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2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Group 31 December 2019	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,769,660	5,769,660	-	-
Public Sector Entities	254,601	254,434	50,887	4,071
Banks, Development Financial Institution & MDBs	372,996	372,996	104,058	8,325
Corporates	5,894,965	5,794,386	4,607,399	368,592
Regulator Retail	6,296,749	6,295,396	5,517,859	441,429
Residential Real Estate	3,746,935	3,746,935	1,497,600	119,808
Higher Risk Assets	-	-	-	-
Other Assets	333,973	333,972	215,264	17,220
Defaulted Exposures	122,432	122,432	100,978	8,078
	22,792,311	22,690,211	12,094,045	967,523
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,018,330	1,018,330	952,448	76,196
Derivative financial instruments	129,847	129,847	42,876	3,430
	1,148,177	1,148,177	995,324	79,626
Total Credit Exposures	23,940,488	23,838,388	13,089,369	1,047,147

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,597	(1,609)	14,639	1,171
Foreign Currency Risk	33,621	(54,857)	20,722	1,658
Equity Position Risk	–	–	–	–
			35,361	2,829
(iii) Operational Risk (Basic Indicators Approach)			1,218,544	97,484
(iv) Total RWA and Capital Requirements			**14,343,274**	**1,147,460**

* After netting and credit risk mitigation
** Credit Risk of off balance sheet items

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 December 2020	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	6,058,325	6,058,325	-	-
Public Sector Entities	251,982	251,793	50,359	4,029
Banks, Development Financial Institution & MDBs	669,900	669,900	164,563	13,165
Corporates	6,509,247	6,401,307	5,067,754	405,420
Regulator Retail	7,106,909	7,095,842	6,390,952	511,276
Residential Real Estate	4,640,167	4,640,167	1,926,428	154,114
Higher Risk Assets	826	826	1,239	99
Other Assets	440,330	440,330	297,006	23,758
Defaulted Exposures	107,289	107,289	83,954	6,716
	25,784,975	25,665,779	13,982,255	1,118,577
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,115,215	1,115,215	1,029,179	82,334
Derivative financial instruments	148,181	148,181	51,893	4,151
	1,263,396	1,263,396	1,081,072	86,485
Total Credit Exposures	27,048,371	26,929,175	15,063,327	1,205,062

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,432	(1,817)	14,851	1,190
Foreign Currency Risk	7,695	(6,075)	7,695	616
Equity Position Risk	-	-	-	-
			22,546	1,806
(iii) Operational Risk (Basic Indicators Approach)			1,250,046	100,004
(iv) Total RWA and Capital Requirements			16,335,919	1,306,872

* After netting and credit risk mitigation
** Credit Risk of off balance sheet items

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2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd)

Bank 31 December 2019	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	5,769,660	5,769,660	-	-
Public Sector Entities	254,601	254,434	50,887	4,071
Banks, Development Financial Institution & MDBs	372,996	372,996	104,058	8,325
Corporates	5,888,645	5,788,066	4,599,131	367,930
Regulator Retail	6,296,749	6,295,396	5,517,859	441,429
Residential Real Estate	3,746,935	3,746,935	1,497,600	119,808
Other Assets	326,396	326,395	207,687	16,613
Defaulted Exposures	122,432	122,432	100,978	8,078
	22,778,414	22,676,314	12,078,200	966,254
(b) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,018,330	1,018,330	952,448	76,196
Derivative financial instruments	129,847	129,847	42,876	3,430
	1,148,177	1,148,177	995,325	79,626
Total Credit Exposures	23,926,591	23,824,491	13,073,524	1,045,880

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	1,597	(1,609)	14,639	1,171
Foreign Currency Risk	33,621	(54,857)	20,722	1,658
Equity Position Risk	-	-	-	-
			35,361	2,829
(iii) Operational Risk (Basic Indicators Approach)			1,206,121	96,490
(iv) Total RWA and Capital Requirements			14,315,006	1,145,199

* After netting and credit risk mitigation
** Credit Risk of off balance sheet items
** Credit Risk of off balance sheet items

3.0 RISK MANAGEMENT

Overview

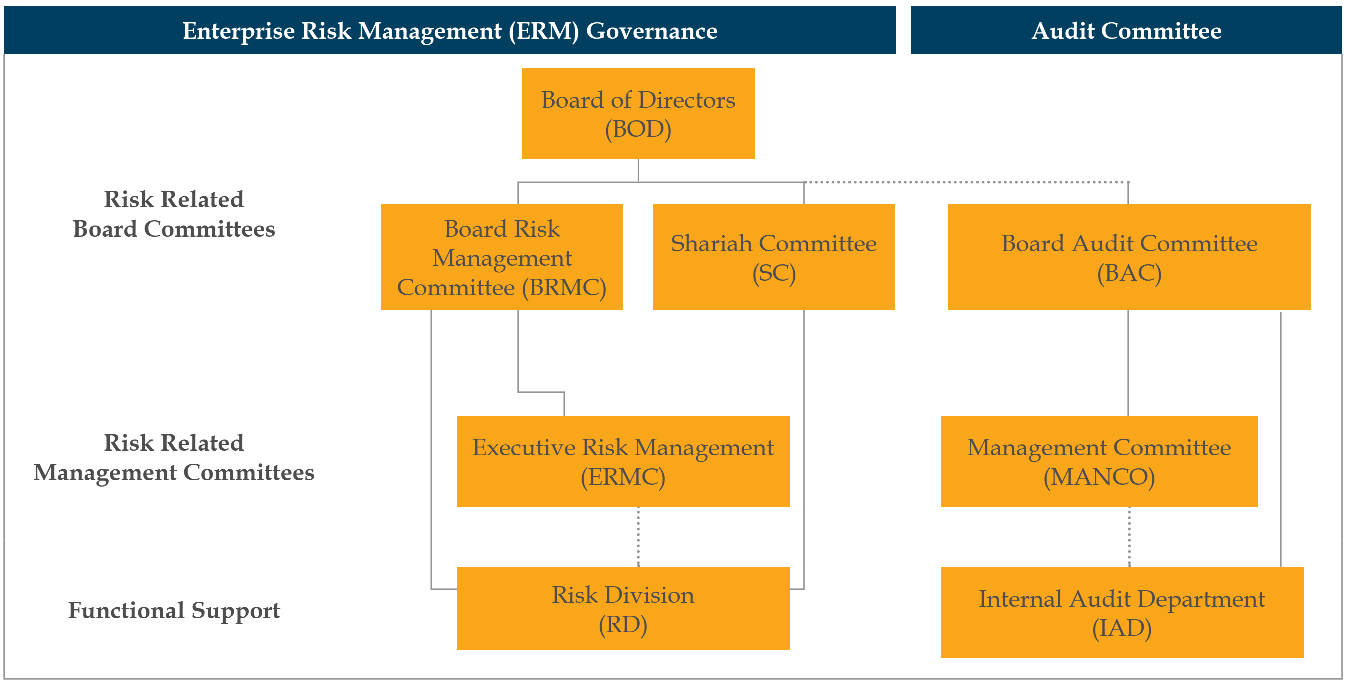
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance processes that outline responsibilities for risk management activities, as well as the governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement. Appropriate risk management strategies are then developed in line with the Bank's business plans and objectives, which include the ongoing monitoring and control of the identified risk exposures. The management and control over the principal risk areas of credit, market, asset and liability management, operational and Shariah are integrated to optimize and secure the Bank's strategic and competitive advantage.

Risk Governance

The Board of Directors holds the ultimate responsibility for the overall risk governance and oversight. This includes determining the appropriate risk strategies, setting the Bank's risk appetite and ensuring that the risks are monitored and controlled effectively. The Board oversees the risk management of the Bank through a clearly defined governance structure, which include board and management level committees with distinct roles and responsibilities.

Table 5: Risk Governance Structure



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3.0 RISK MANAGEMENT (CONT'D)

The Board's primary oversight role is to understand the risks undertaken by the Bank and ensure that these risks are properly managed. While the Board is ultimately responsible for the Bank's management of risks, it has entrusted the Board Risk Management Committee ("BRMC") to carry out specific risk management oversight functions on its behalf.

BRMC, which is chaired by an independent director of the Board, is a board-level committee that oversees the overall management of risks and deliberates on risk-related issues and resolutions. The BRMC, acting on behalf of the Board, also ensures that the appropriate processes, resources, policies and guidelines are in place to manage the Bank's risks.

In addition, the Board is also supported by the Shariah Committee ("SC"), which was set up as an independent external body to decide on Shariah issues and to simultaneously assist towards risk mitigation and compliance with the Shariah principles.

The execution of the board-approved risk strategies and policies is the responsibility of the Bank's management and these functions are also exercised under a committee structure. Heading the management-level risk committees is the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The ERMC focuses on the overall business strategies and the Bank's day-to-day operations in respect of risk management.

Other management-level risk committees are set up to oversee specific risk areas and its related control functions as described below:

Table 6: Risk Committees & Functions

Committee	Objective
Asset & Liability Working Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by the BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's financing exposures (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decide on new and/or additional investment in securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

A dedicated and independent Risk Management Department ("RMD") supports the above committees by carrying out the day-to-day risk management functions, drafting of risk-related policies and procedures, and providing reports, risk analyses and recommendations for the Management's and the Board's decision-making.

The Bank's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in their undertaken business activities. The line managers are therefore responsible for the identification, measurement and management of risks within their respective areas of responsibility.

3.0 RISK MANAGEMENT (CONT'D)

The risk governance framework is implemented under a "distributed function" approach where risk is being managed based on the three lines of defense model. The components and their respective roles are as described below:

Table 7: Risk Management Model

Three (3) Lines of Defence Modal	
All units have a specific responsibility for risk management under the above modal	
First Line Defense Modal Business Units	• Risks are directly undertaken and assumed in the day-to-day business activities and operations. • As front-liners, responsible for carring out the established processes for identifying, mitigating and managing risks within their respective environment aligned with the Bank's strategic targets.
Second Line Defense Modal Risk Management & Control Compliance	• Ensures independent oversight and management of all material risks undertaken by the Bank. • Provides specialised resources for developing risk frameworks, policies, methodologies and tools for risk identification, measurement and control. • Provides the control function, which monitors the risk by using variuos key indicators and reports, guided by established risk appetite and tolerance limits.
Third Line Defense Modal Internal Audit	• Provides independent review and assurance on adequacy of risk management processes and effectiveness of the first two lines of defence in fufilling their mandates.

Risk Appetite

Central to the Bank's risk management framework is the risk appetite. The risk appetite is defined as the level of risk that the Bank is willing to accept in fulfilling its business objectives. The Board, BRMC and senior management is responsible for determining the Bank's risk appetite and risk management strategy. The risk appetite is reviewed by the Board on an annual basis, in alignment with the annual strategic and business planning process.

The risk appetite framework is embedded within the Bank's key decision-making processes and supports the implementation of its strategy. It sets out the principles and policies that guide the Bank's behavior and decision-making for all risk taking activities towards achieving an optimal balance between risk and return. It also provides a clear reference point to monitor risk taking, to trigger appropriate action as the boundaries are approached or breached, and to minimize the likelihood of 'surprises' when adverse risk events occur.

As outlined in the risk appetite framework, a set of risk appetite statements has been developed to define the related risk capacity, appetite, tolerance and limits/targets of the Bank. The risk appetite statements, together with the risk tolerance limits and thresholds, are formulated to cover several key strategic and business risk levels or metrics such as capital ratios, liquidity, earnings volatility, asset portfolio composition and asset quality. The risk appetite, which is expressed in quantitative and qualitative forms, also incorporates the Bank's key performance indicators and states its stance towards reputational and Shariah non-compliance.

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4.0 CREDIT RISK (GENERAL DISCLOSURE)

Credit risk is defined as the potential financial loss caused by a retail customer or a wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all credit exposures, including guarantees and irrevocable undrawn facilities.

Risk arising from changes in credit quality is a central feature of the Bank's business, where uncertainty over the recoverability of financing and other amounts due from counterparties are inherent across most of the Bank's activities.

Adverse changes in the credit quality of a customer/counterparty or a general deterioration in the economic condition could affect the value of the Bank's assets and its overall financial performance. To a lesser degree, the Bank is also exposed to other forms of credit risk, such as settlement and pre-settlement risks, arising mainly from activities involving foreign exchange, investment securities, equities, commodities and derivatives transactions.

The BRMC and ERMC are the key board and management-level oversight committees responsible for the overall credit risk management activities. These include approving and review of risk strategies and policies, resolving any policy-related issues, and monitoring of the Bank's asset portfolios and risk profile.

Credit risk is managed under an established framework of policies, processes and procedures, which forms part of the overall risk governance framework. The risk management processes include assessing, measuring, mitigating and managing credit risk and maintaining it within the Bank's risk appetite.

Key components of the framework are the Credit Risk Policy ("CRP") and Guidelines to Credit Risk Policies ("GCRP"), which contain credit-related policies and procedures for the management of credit risk. These policies and procedures cover risk policies, controls and prudential limits; risk rating methodologies and application; financing underwriting standards and pricing; delegated credit approving authority; credit review and management of distressed assets; and rehabilitation, restructuring and provisioning for impaired financing. The policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

An important element of credit risk management involves the allocation of the Bank's financing exposures into risk rating categories. This approach provides for sufficient level of granularity and detail of the financing assets to facilitate the identification, monitoring and management of the overall credit risk profile on a regular basis. These rating categories are also linked credit pricing and defined in relation to profit spread.

Credit approvals are performed under a formal delegated approving structure comprising a hierarchy of approving authorities with clearly defined scope and limits. The Credit Committee ("CC") is the main management-level committee involved in the approval of credit proposals (for amounts exceeding that of the lower individual authority limits) and the monitoring and management of distressed financing assets.

The Bank conducts regular review of its credit exposures based on portfolio segments and concentrations to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for ongoing risk management strategy and policy formulation.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration

Table 8: Credit risk exposures and credit risk concentration by sector analysis

Group 31 December 2020	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	520,055	3,798,965
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,648	2,136,502	1,753,798	-	11,662,015	463,030	18,115,817
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	113,170	113,170
	4,032,513	4,671,737	2,305,129	1,785,848	-	11,662,015	1,096,255	25,553,497
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Islamic derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,877	2,869,478	2,490,621	5,487	11,833,226	1,278,982	32,470,981

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Group 31 December 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Investment accounts due from designated financial instituition	-	-	-	-	-	-	-	-
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	735,234	4,604,824
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	453,074	15,861,238
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	41,670	41,670
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,229,978	22,575,464
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,243,833	29,171,958

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2020	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	2,933,172	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	30,417	-	-	-	-	-	30,417
Financial investments at fair value through profit and loss	148,085	165,252	-	-	-	-	-	313,337
Financial investments at fair value through other comprehensive income	2,746,349	437,428	63,083	32,050	-	-	517,588	3,796,498
Financial assets at amortised cost	-	-	105,544	-	-	-	-	105,544
Islamic derivative financial assets	-	47,820	-	-	-	-	-	47,820
Financing of customers	1,042,824	1,057,649	2,136,502	1,753,798	-	11,662,015	457,414	18,110,202
Statutory deposits with Bank Negara Malaysia	95,255	-	-	-	-	-	-	95,255
Other assets	-	-	-	-	-	-	112,345	112,345
	4,032,513	4,671,738	2,305,129	1,785,848	-	11,662,015	1,087,347	25,544,590
Commitments and contingencies								
Contingent liabilities	28,714	238,833	104,814	334,608	4,438	5,006	14,967	731,380
Commitments	18,083	476,073	455,773	369,035	799	164,956	167,760	1,652,479
Other Miscellaneous Commitment and Contingent Liabilities	-	711	3,762	1,130	250	1,249	-	7,102
Derivative financial instruments	-	4,526,523	-	-	-	-	-	4,526,523
	46,797	5,242,140	564,349	704,773	5,487	171,211	182,727	6,917,484
Total credit exposures	4,079,310	9,913,878	2,869,478	2,490,621	5,487	11,833,226	1,270,074	32,462,074

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 8: Credit risk exposures and credit risk concentration by sector analysis (cont'd)

Bank 31 December 2019	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Household RM'000	Others RM'000	Total RM'000
On balance sheet exposures								
Cash and short-term funds	-	1,011,225	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	53,925	-	-	-	-	-	53,925
Investment accounts due from designated financial instituition	-	-	-	-	-	-	-	-
Financial investments at fair value through profit and loss	139,684	169,109	-	-	-	-	-	308,793
Financial investments at fair value through other comprehensive income	3,308,676	216,283	287,603	57,028	-	-	732,809	4,602,399
Financial assets at amortised cost	-	-	103,162	-	-	-	-	103,162
Islamic derivative financial assets	-	21,859	-	-	-	-	-	21,859
Financing of customers	1,006,880	885,384	1,774,709	1,632,750	-	10,108,441	449,179	15,857,343
Statutory deposits with Bank Negara Malaysia	568,768	-	-	-	-	-	-	568,768
Other assets	-	-	-	-	-	-	40,780	40,780
	5,024,008	2,357,785	2,165,474	1,689,778	-	10,108,441	1,222,768	22,568,254
Commitments and contingencies								
Contingent liabilities	31,051	40,973	124,600	329,351	4,302	6,827	161,568	698,672
Commitments	15,747	114,302	381,940	239,210	1,155	52,898	852,287	1,657,539
Derivative financial instruments	-	4,240,283	-	-	-	-	-	4,240,283
	46,798	4,395,558	506,540	568,561	5,457	59,725	1,013,855	6,596,494
Total credit exposures	5,070,806	6,753,343	2,672,014	2,258,339	5,457	10,168,166	2,236,623	29,164,748

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
31 December 2020	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
On Balance Sheet Exposures				
Cash and short-term funds	2,794,518	138,654	2,794,518	138,654
Cash and placements with financial institutions	30,417	-	30,417	-
Financial investment at fair value through profit and loss	148,084	165,252	148,084	165,252
Financial investments at fair value through other comprehensive income	3,798,965	-	3,796,498	-
Financial investments amortised cost	105,544	-	105,544	-
Islamic derivative financial assets	47,820	-	47,820	-
Financing of customers	18,115,817	-	18,110,202	-
Statutory deposits with Bank Negara Malaysia	95,255	-	95,255	-
Other assets	113,167	3	112,343	3
	25,249,587	303,909	25,240,681	303,909
Commitments and contingencies				
Contingent liabilities	731,381	-	731,381	-
Commitments	1,652,479	-	1,652,479	-
Other Miscellaneous Commitment and Contingent Liabilities	7,102	-	7,102	-
Derivative financial instruments	4,526,523	-	4,526,523	-
	6,917,485	-	6,917,485	-
Total credit exposures	32,167,072	303,909	32,158,166	303,909

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures and Credit Risk Concentration (cont'd)

Table 9: Credit risk exposures and credit risk concentration by geographical analysis (cont'd)

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
31 December 2019	**Domestic RM'000**	**Labuan RM'000**	**Domestic RM'000**	**Labuan RM'000**
On Balance Sheet Exposures				
Cash and short-term funds	970,240	40,985	970,240	40,985
Cash and placements with financial institutions	53,925	-	53,925	-
Investment accounts due from designated financial instituition	-	-	-	-
Financial investment at fair value through profit and loss	139,684	169,109	139,684	169,109
Financial investments at fair value through other comprehensive income	4,596,572	8,252	4,594,147	8,252
Financial investments amortised cost	103,162	-	103,162	-
Islamic derivative financial assets	21,859	-	21,859	-
Financing of customers	15,861,238	-	15,857,343	-
Statutory deposits with Bank Negara Malaysia	568,768	-	568,768	-
Other assets	41,667	3	40,777	3
	22,357,115	218,349	22,349,905	218,349
Commitments and contingencies				
Contingent liabilities	698,672	-	698,672	-
Commitments	1,657,539	-	1,657,539	-
Derivative financial instruments	4,240,283	-	4,240,283	-
	6,596,494	-	6,596,494	-
Total credit exposures	28,953,609	218,349	28,946,399	218,349

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures of Financial Assets by Maturity Distribution

Table 10: Credit risk exposures of financial assets by remaining contractual maturity

Group 31 December 2020	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	2,933,172	-	-	-	2,933,172
Cash and placements with financial institutions	30,417	-	-	-	30,417
Financial investments at fair value through profit and loss	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	917,316	123,899	2,607,258	150,491	3,798,964
Financial investments amortised cost	-	-	-	105,544	105,544
Islamic derivative financial assets	46,901	919	-	-	47,820
Financing of customers	3,132,750	1,898,467	6,046,320	7,038,277	18,115,814
Statutory deposits with Bank Negara Malaysia	-	-	-	95,255	95,255
Other assets	646	112,027	500	-	113,173
Total On-Balance Sheet Exposures	7,073,378	2,135,312	8,955,239	7,389,567	25,553,496

Group 31 December 2019	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,011,225	-	-	-	1,011,225
Cash and placements with financial institutions	53,925	-	-	-	53,925
Financial investments at fair value through profit and loss	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	866,862	907,482	2,528,637	301,843	4,604,824
Financial investments amortised cost	-	-	-	103,162	103,162
Islamic derivative financial assets	21,859	-	-	-	21,859
Financing of customers	2,878,082	1,560,184	5,155,270	6,267,702	15,861,238
Statutory deposits with Bank Negara Malaysia				568,768	568,768
Other assets	1,381	39,689	600	-	41,670
Total On-Balance Sheet Exposures	4,889,643	2,620,155	7,824,191	7,241,475	22,575,464

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Exposures of Financial Assets by Maturity Distribution (cont'd)

Table 10: Credit risk exposures of financial assets by remaining contractual maturity (cont'd)

Bank 31 December 2020	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	2,933,172	-	-	-	2,933,172
Cash and placements with financial institutions	30,417	-	-	-	30,417
Financial investments at fair value through profit and loss	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	917,316	123,899	2,604,791	150,491	3,796,497
Financial investments amortised cost	-	-	-	105,544	105,544
Islamic derivative financial assets	46,901	919	-	-	47,820
Financing of customers	3,132,750	1,898,467	6,046,320	7,032,662	18,110,199
Statutory deposits with Bank Negara Malaysia	-	-	-	95,255	95,255
Other assets	649	111,200	500	-	112,349
Total On-Balance Sheet Exposures	7,073,381	2,134,485	8,952,772	7,383,952	25,544,590

Bank 31 December 2019	Up to 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	1,011,225	-	-	-	1,011,225
Cash and placements with financial institutions	53,925	-	-	-	53,925
Investment accounts due from designated financial institution	-	-	-	-	-
Financial investments at fair value through profit and loss	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	866,862	907,482	2,526,212	301,843	4,602,399
Financial investments amortised cost	-	-	-	103,162	103,162
Islamic derivative financial assets	21,859	-	-	-	21,859
Financing of customers	2,878,082	1,560,184	5,155,269	6,263,808	15,857,343
Statutory deposits with Bank Negara Malaysia	-	-	-	568,768	568,768
Other assets	1,328	38,852	600	-	40,780
Total On-Balance Sheet Exposures	4,889,590	2,619,318	7,821,765	7,237,581	22,568,254

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Risk Management Approach

Credit risk is inherent in all credit-related activities such as in the granting of financing facilities and participation in treasury and investment banking activities.

Credit risk exposures are controlled and managed at every stage of the credit process through various methods and techniques. At the point of origination, the credit exposure is assessed with well-defined financing granting criteria, which include the identification of a clear and adequate source of payment or income generation from the customer, structuring of an effective financing package and incorporation of appropriate risk mitigants.

The Bank's credit-origination and granting activities are segregated by business lines based on customer types/business segments. Specifically, these are Business Banking for corporate, commercial and retail SME customers, Consumer Banking for retail/individual customers and Investment Banking for syndications and capital market instruments. These departments are responsible for marketing, developing and managing the Bank's financing and investment assets as well as ensuring the quality and timely delivery of its products and services.

The Bank has an established structure to facilitate the credit approval process which defines the appropriate level of approving authority and limits. These approving authority and limits are duly sanctioned by the Board and are subject to periodic reviews to assess its effectiveness as well as compliance. To enhance the risk identification process, the financing proposals by the origination departments are subjected to independent credit reviews and risk assessments by the relevant credit assessment departments prior to submission to the approving authority for decision.

Credit portfolios are managed and monitored against stipulated portfolio exposure limits with the objective to avoid credit concentration and excessive build-up of exposures and to preserve the credit portfolios' quality through timely and appropriate corrective actions.

The Credit Risk report is produced and deliberated at the management and board level committees on a monthly basis to monitor the overall exposures and limits. Risk Profiling Analysis on selected asset portfolios is conducted on a regular basis to analyze the asset quality for possible deterioration or concentration build-up and potential weaknesses or threats arising from internal and external factors.

Stress Test on credit exposures is used as a tool to identify possible events or future changes in the financial and economic conditions that could have an unfavorable impact on the Bank's exposures. It is also used to assess the Bank's ability to withstand such changes in relation to the capacity of capital and earnings to absorb potentially significant losses.

The monitoring and recovery of delinquent and problematic financing accounts are undertaken by two departments; namely the Consumer Financing Supervision and Recovery Department ("CFSRD") and the Business Financing Supervision and Recovery Department ("BFSRD"). Within the BFSRD, the Early Care and Remedial Management units have been tasked to monitor and undertake pre-emptive measures on business financing with early warning signs to prevent further deterioration and/or initiate rehabilitation actions such as rescheduling and restructuring of the affected accounts.

Classification and loss provisioning of the Bank's impaired financing and investment assets is performed upon determination of impairment evidence and by categorization into individual and collective assessment. The process and approach is defined in the GCRP and other related policies and SOPs as prescribed under the MFRS 9 and BNM guidelines.

The Bank implemented a new risk rating approach for its business and consumer financing portfolios, introduced gradually from year 2011. Credit scorecards using statistical and heuristic-based methodologies were developed and applied to assess the customers' risk levels and assist in the Bank's credit decision. The credit risk grades are also used in portfolio monitoring and limit setting and in building a more robust estimation of credit losses in the future as prescribed under the Internal Rating Based ("IRB") approach.

Aside from the credit risk rating, the Bank is also enhancing its portfolio management capability through the development of a data mart and acquisition of more analytical and risk management systems.

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers

Table 11: Credit quality of financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group 31 December 2020	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Leasing receivables	-	-	-	-	-
- Other term financing	8,120,932	26,053	56,289	56,067	8,259,341
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	17,736,703	121,417	254,475	194,711	18,307,306
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(94,984)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(8,561)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	17,736,703	121,417	254,475	106,767	18,115,817

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Group 31 December 2019	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Leasing receivables	-	-	-	-	-
- Other term financing	6,933,844	37,520	46,147	65,275	7,082,786
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,320,100	265,775	218,039	209,166	16,013,080
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(51,342)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(13,766)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,320,100	265,775	218,039	122,432	15,861,238

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4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Bank 31 December 2020	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,501,078	89,050	184,885	91,069	4,866,082
- Syndicated financing	550,719	-	-	-	550,719
- Hire purchase receivables	621,639	4,405	8,886	1,880	636,810
- Leasing receivables	-	-	-	-	-
- Other term financing	8,115,317	26,053	56,289	56,067	8,253,726
Other financing	3,942,335	1,909	4,415	45,695	3,994,354
	17,731,088	121,417	254,475	194,711	18,301,691
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(94,984)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(8,561)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(87,944)	(87,944)
Total net financing	17,731,088	121,417	254,475	106,767	18,110,202

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 11: Credit quality of financing of customers (cont'd)

Financing of customers are analysed as follows:

Bank 31 December 2019	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,059,306	177,617	158,076	111,169	4,506,168
- Syndicated financing	553,402	-	-	-	553,402
- Hire purchase receivables	558,153	7,168	8,914	2,450	576,685
- Leasing receivables	-	-	-	-	-
- Other term financing	6,929,949	37,520	46,147	65,275	7,078,891
Other financing	3,215,395	43,470	4,902	30,272	3,294,039
	15,316,205	265,775	218,039	209,166	16,009,185
Less:					
- Stage 1 - 12 Months ECL	-	-	-	-	(51,342)
- Stage 2 - Lifetime ECL not credit impaired	-	-	-	-	(13,766)
- Stage 3 - Lifetime ECL credit impaired	-	-	-	(86,734)	(86,734)
Total net financing	15,316,205	265,775	218,039	122,432	15,857,343

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PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Financing of customers are analysed as follows: (cont'd.)

(i) Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

- "Good grade" refers to financing of customers which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory grade" refers to financing of customers which may have been past due but not impaired or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

(ii) Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make a principal or profit payment after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Table 13: Past due but not impaired

Group and Bank 31 December 2020	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	102,958	81,928	184,886
- Hire purchase receivables	-	5,055	3,831	8,886
- Other term financing	-	33,732	22,557	56,289
Other financing	-	634	3,780	4,414
Total	-	142,379	112,096	254,475

Group and Bank 31 December 2019	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	109,593	48,483	158,076
- Hire purchase receivables	-	5,023	3,891	8,914
- Other term financing	-	32,619	13,528	46,147
Other financing	-	4,522	380	4,902
Total	-	151,757	66,282	218,039

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	31 December 2020 RM'000	31 December 2019 RM'000
Purchase of transport vehicles	**8,886**	8,914
Purchase of landed properties of which:		
– residential	**178,297**	156,458
– non-residential	**15,644**	11,983
Purchase of fixed assets (excluding landed properties)	**-**	-
Personal use	**50,518**	28,035
Purchase of securities	**106**	
Working capital	**199**	4,248
Other purpose	**825**	8,401
	254,475	218,039

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	31 December 2020 RM'000	31 December 2019 RM'000
Domestic	**254,475**	218,039
Labuan Offshore	**-**	-
	254,475	218,039

BASEL II
PILLAR 3 DISCLOSURE

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iii) Impaired financing

A financing of customer is considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

Financing and advances are classified as credit-impaired when they fulfil any of the following criteria:

(a) principal or profit or both are past due for ninety (90) days or more; or

(b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or

(c) where a financing is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the financing exhibits indications of significant credit weaknesses; or

(d) where a financing has been classified as rescheduled and restructured (''R&R"), the financing will be classified as credit-impaired until payments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months; or

(e) for payments scheduled on intervals of ninety (90) days or more, as soon as default occurs.

In addition, financing that is considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a financing is credit-impaired.

The financial effects of the adoption of MFRS 9 in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.4.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

Group	31 December 2020						
	Impaired Financing RM'000	Individual Assessment Allowance, at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	297	297
Purchase of transport vehicles	1,880	14	(14)	-	-	3,547	3,547
Purchase of landed properties of which:							
– residential	89,146	9,479	(1,029)	-	8,450	52,667	61,117
– non-residential	27,109	2,306	(795)	-	1,511	2,975	4,486
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	358	358
Personal use	32,772	448	224	-	671	71,599	72,270
Construction	-	-	-	-	-	1,816	1,816
Working capital	41,122	13,298	6,287	-	19,586	26,792	46,378
Other purpose	2,682	-	-	-	-	1,220	1,220
	194,711	25,545	4,673	-	30,218	161,271	191,489

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose. (cont'd)

	31 December 2019						
Group	Impaired Financing RM'000	Individual Assessment Allowance, at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	323	323
Purchase of transport vehicles	2,450	14	(14)	-	-	3,342	3,342
Purchase of landed properties of which:							
– residential	110,154	9,479	(885)	-	8,594	40,445	49,039
– non-residential	33,638	2,306	104	-	2,409	3,254	5,664
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	217	217
Personal use	33,883	448	166	-	614	58,069	58,683
Purchase of consumer durables							
Construction	-	-	-	-	-	1,626	1,626
Mergers and acquisitions							
Working capital	28,007	13,298	1,819	-	15,118	16,666	31,784
Other purpose	1,034	-	-	-	-	1,164	1,164
	209,166	25,545	1,189	-	26,735	125,105	151,840

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

	31 December 2020						
Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	297	297
Purchase of transport vehicles	1,880	-	-	-	-	3,547	3,547
Purchase of landed properties of which:							
– residential	89,146	8,594	3,870	4,014	8,450	52,667	61,117
– non-residential	27,109	2,409	(898)	-	1,511	2,975	4,486
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	358	358
Personal use	32,772	614	58	-	671	71,599	72,270
Construction	-	-	-	-	-	1,816	1,816
Working capital	41,122	15,118	16,718	12,250	19,586	26,792	46,378
Other purpose	2,682	-	-	-	-	1,220	1,220
	194,711	26,735	19,748	16,264	30,218	161,271	191,489

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Impaired financing (cont'd)

Table 14: Impaired financing by economic purpose (cont'd)

The following tables present an analysis of the impaired financing by economic purpose. (cont'd)

	31 December 2019						
Bank	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Purchase of securities	-	-	-	-	-	323	323
Purchase of transport vehicles	2,450	14	(14)	-	-	3,342	3,342
Purchase of landed properties of which:							
– residential	110,154	9,479	(885)	-	8,594	40,445	49,039
– non-residential	33,638	2,306	104	-	2,409	3,254	5,664
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	217	217
Personal use	33,883	448	166	-	614	58,069	58,683
Construction	-	-	-	-	-	1,626	1,626
Working capital	28,007	13,298	1,820	-	15,118	16,666	31,784
Other purpose	1,034	-	-	-	-	1,165	1,165
	209,166	25,545	1,190	-	26,735	125,106	151,842

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution.

31 December 2020

Group	Impaired Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Domestic	194,711	25,545	4,674	-	30,219	161,270	191,489
Labuan offshore	-	-	-	-	-	-	-
	194,711	25,545	4,674	-	30,219	161,270	191,489

31 December 2019

Group	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Financing RM'000
Domestic	209,166	-	1,190	-	26,735	125,107	151,842
Labuan offshore	-	-	-	-	-	-	-
	209,166	-	1,190	-	26,735	125,107	151,842

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

Table 15: Impaired financing by geographical distribution (cont'd)

The following tables present an analysis of the impaired financing by geographical distribution.

31 December 2020							
Bank	**Impaired Financing RM'000**	**Individual Assessment Allowance at 1 January RM'000**	**Net Charge for the Year RM'000**	**Amounts Written Off/Other Movements RM'000**	**Individual Assessment Allowance at 31 December RM'000**	**Collective Assessment Allowance at 31 December RM'000**	**Total Impairment Allowances for Financing RM'000**
Domestic	**194,711**	**26,735**	**19,748**	**16,264**	**30,219**	**161,270**	**191,489**
Labuan offshore	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	194,711	**26,735**	**19,748**	**16,264**	**30,219**	**161,270**	**191,489**

31 December 2019							
Bank	**Impaired Financing RM'000**	**Individual Assessment Allowance at 1 April RM'000**	**Net Charge for the Year RM'000**	**Amounts Written Off/Other Movements RM'000**	**Individual Assessment Allowance at 31 December RM'000**	**Collective Assessment Allowance at 31 December RM'000**	**Total Impairment Allowances for Financing RM'000**
Domestic	209,166	-	1,190	-	26,735	125,107	151,842
Labuan offshore	-	-	-	-	-	-	-
	209,166	-	1,190	-	26,735	125,107	151,842

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D)

Credit Quality Financing of Customers (cont'd)

(iv) Impaired financing (cont'd)

Collateral and other credit enhancements

The amount and type of collateral required depends on as assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

– For home financing - mortgages over residential properties;

– For syndicated financing - charges over the properties being financed;

– For hire purchase financing - charges over the vehicles financed;

– For share margin financing - pledges over securities from listed exchange;

– For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank are at 87.2 and 87.2% respectively as at 31 December 2020 (The Group and the Bank are at 88.1% and 88.1% respectively as at 31 December 2019). The financial effect of collateral held for other financial assets is not significant.

As at 31 December 2020, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM58,150,345 as compared against 31 December 2019 total amount of RM41,210,434. The collateral consists of cash, securities, letters of guarantee, and properties.

(v) Repossessed Collateral

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or pay the outstanding balance of financing and securities. Collateral's repossessed by the Bank are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank do not occupy repossessed properties for its own business use.

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

Table 16: Rating distribution on credit exposures

Group
31 December 2020

Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	Rating by Approved ECAIS A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	6,073,117	-	-	-	-	-	-	-	-	-	6,073,117
Public Sector Entities	-	-	-	-	-	-	-	-	264,268	-	264,268
Banks, Development Financial Institutions & MDBs	5,283	-	349,370	-	101,944	-	-	-	333,275	-	789,872
Corporates	714,438	12,640	137,102	-	293,375	105,544	-	-	6,295,998	-	7,559,097
Regulatory Retail	-	-	-	-	-	-	-	-	7,259,287	-	7,259,287
Residential Mortgages	-	-	-	-	-	-	-	-	4,676,399	-	4,676,399
Higher Risk Assets	-	-	-	-	-	-	-	-	1,105	-	1,105
Other Assets	-	-	-	-	-	-	-	-	440,330	-	440,330
Total	6,792,838	12,640	486,472	-	395,319	105,544	-	-	19,270,662	-	27,063,475

Group
31 December 2019

Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	Rating by Approved ECAIS A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	5,783,743	-	-	-	-	-	-	-	-	-	5,783,743
Public Sector Entities	-	-	-	-	-	-	-	-	266,451	-	266,451
Banks, Development Financial Institutions & MDBs	40,946	-	55,272	-	98,196	-	-	107,836	178,581	9	480,840
Corporates	1,544,963	5,187	130,374	58,109	380,785	103,162	-	214,136	4,431,898	1,392	6,870,006
Regulatory Retail	-	-	-	-	-	-	-	-	6,392,378	-	6,392,378
Residential Mortgages	-	-	-	-	-	-	-	-	3,820,671	-	3,820,671
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,399	-	326,399
Total	7,369,652	5,187	185,646	58,109	478,981	103,162	-	321,972	15,416,377	1,401	23,940,488

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Bank
31 December 2020

Exposure Class	Rating by Approved ECAIS										
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	6,073,117	-	-	-	-	-	-	-	-	-	6,073,117
Public Sector Entities	-	-	-	-	-	-	-	-	264,268	-	264,268
Banks, Development Financial Institutions & MDBs	5,283	-	349,370	-	101,944	-	-	-	333,275	-	789,872
Corporates	714,438	12,640	137,102	-	293,375	105,544	-	-	6,280,894	-	7,543,993
Regulatory Retail	-	-	-	-	-	-	-	-	7,259,287	-	7,259,287
Residential Mortgages	-	-	-	-	-	-	-	-	4,676,399	-	4,676,399
Higher Risk Assets	-	-	-	-	-	-	-	-	1,105	-	1,105
Other Assets	-	-	-	-	-	-	-	-	440,330	-	440,330
Total	6,792,838	12,640	486,472	-	395,319	105,544	-	-	19,255,558	-	27,048,371

Bank
31 December 2019

Exposure Class	Rating by Approved ECAIS										
	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	P1/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures - Standardised Approach											
Sovereigns/Central Banks	5,783,743	-	-	-	-	-	-	-	-	-	5,783,743
Public Sector Entities	-	-	-	-	-	-	-	-	266,451	-	266,451
Banks, Development Financial Institutions & MDBs	40,946	-	55,272	-	98,196	-	-	107,836	178,581	9	480,840
Corporates	1,544,963	5,187	130,374	58,109	380,785	103,162	-	214,136	4,418,001	1,392	6,856,109
Regulatory Retail	-	-	-	-	-	-	-	-	6,392,378	-	6,392,378
Residential Mortgages	-	-	-	-	-	-	-	-	3,820,671	-	3,820,671
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	326,399	-	326,399
Total	7,369,652	5,187	185,646	58,109	478,981	103,162	-	321,972	15,402,480	1,401	23,926,590

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

		Ratings of Corporate by Approved ECAIs				
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 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
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
Credit Exposures (Using Corporate Risk Weights)						
Group and Bank 31 December 2020						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	264,268
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		864,180	293,375	105,544	-	6,280,894
Total		864,180	293,375	105,544	-	6,545,162
Group and Bank 31 December 2019						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		-	-	-	-	266,451
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-
Corporates		1,952,769	380,785	103,162	-	4,419,393
Total		1,952,769	380,785	103,162	-	4,685,844

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+,F1	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
Exposure Class	RII Inc	a-1+,a-1	a-2	a-3	b,c	Unrated
		RM'000	RM'000	RM'000	RM'000	
On and Off Balance-Sheet Exposures						
Group and Bank						
31 December 2020						
Banks, MDBs and FDIs		-	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates						
Total		-	-	-	-	-
Group and Bank						
31 December 2019						
Banks, MDBs and FDIs		107,836	-	-	-	-
Credit Exposures (using Corporate Risk Weights)						
Corporates		-	-	-	-	-
Total		107,836	-	-	-	-

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Group and Bank
31 December 2020

		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	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
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		**6,073,117**	**-**	**-**	**-**	**-**	**-**
Total		**6,073,117**	**-**	**-**	**-**	**-**	**-**

Group and Bank
31 December 2019

		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	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
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		5,783,743	-	-	-	-	-
Total		5,783,743	-	-	-	-	-

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	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
	RAM	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
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
Group and Bank							
31 December 2020							
Banks, MDBs and FDIs		**354,653**	**101,944**	**-**	**-**	**-**	**333,275**
Total		**354,653**	**101,944**	**-**	**-**	**-**	**333,275**
Group and Bank							
31 December 2019							
Banks, MDBs and FDIs		96,219	98,196	-	-	-	178,590
Total		96,219	98,196	-	-	-	178,590

BASEL II
PILLAR 3 DISCLOSURE

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows:

Table 17: Credit risk disclosure by risk weights

31 December 2020
Group

	Exposures after Netting and Credit Risk Mitigation										
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
Risk-Weights											
0%	6,073,117	-	-	308,116	-	-	-	-	143,325	6,524,558	-
20%	-	264,078	687,928	958,636	-	-	-	-	-	1,910,642	382,127
35%	-	-	-	-	-	3,732,543	-	-	-	3,732,543	1,306,390
50%	-	-	101,944	606,308	1,626	600,357	-	-	-	1,310,235	655,118
75%	-	-	-	-	2,924,445	16,733	-	-	-	2,941,178	2,205,884
100%	-	-	-	5,565,460	4,315,795	326,647	-	-	304,027	10,511,929	10,511,929
150%	-	-	-	5,615	6,353	120	-	1,105	-	13,193	19,790
Total	6,073,117	264,078	789,872	7,444,135	7,248,219	4,676,400	-	1,105	447,352	26,944,278	15,081,238

31 December 2019
Group

	Exposures after Netting and Credit Risk Mitigation										
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
Risk-Weights											
0%	5,783,743	-	-	-	-	-	-	-	118,709	5,902,452	-
20%	-	266,284	382,644	1,169,620	-	-	-	-	-	1,818,548	363,710
35%	-	-	-	-	-	3,110,625	-	-	-	3,110,625	1,088,719
50%	-	-	98,196	581,703	2,667	513,050	-	-	-	1,195,616	597,808
75%	-	-	-	-	3,163,608	11,643	-	-	-	3,175,251	2,381,439
100%	-	-	-	4,977,361	3,214,321	185,353	-	-	215,264	8,592,299	8,592,299
150%	-	-	-	33,167	10,430	-	-	-	-	43,597	65,394
Total	5,783,743	266,284	480,840	6,761,851	6,391,025	3,820,671	-	-	333,973	23,838,388	13,089,370

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Credit risk disclosure by risk weights (including deducted exposures) are as follows: (cont'd)

Table 17: Credit risk disclosure by risk weights (cont'd)

31 December 2020

Bank	Exposures after Netting and Credit Risk Mitigation										
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
Risk-Weights											
0%	6,073,117	-	-	308,116	-	-	-	-	143,325	6,524,558	-
20%	-	264,078	687,928	958,636	-	-	-	-	-	1,910,642	382,128
35%	-	-	-	-	-	3,732,543	-	-	-	3,732,543	1,306,390
50%	-	-	101,944	606,308	1,626	600,357	-	-	-	1,310,235	655,118
75%	-	-	-	-	2,924,445	16,733	-	-	-	2,941,178	2,205,884
100%	-	-	-	5,562,993	4,315,795	326,647	-	-	297,006	10,502,441	10,502,441
150%	-	-	-	-	6,353	120	-	1,105	-	7,578	11,366
Total	6,073,117	264,078	789,872	7,436,054	7,248,219	4,676,400	-	1,105	440,331	26,929,175	15,063,327

31 December 2019

Bank	Exposures after Netting and Credit Risk Mitigation										
	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Equity Exposures RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
Risk-Weights											
0%	5,783,743	-	-	-	-	-	-	-	118,709	5,902,452	-
20%	-	266,284	382,644	1,169,620	-	-	-	-	-	1,818,548	363,710
35%	-	-	-	-	-	3,110,625	-	-	-	3,110,625	1,088,719
50%	-	-	98,196	581,703	2,667	513,050	-	-	-	1,195,616	597,808
75%	-	-	-	-	3,163,608	11,643	-	-	-	3,175,251	2,381,439
100%	-	-	-	4,974,936	3,214,321	185,353	-	-	207,688	8,582,298	8,582,297
150%	-	-	-	29,271	10,430	-	-	-	-	39,701	59,551
Total	5,783,743	266,284	480,840	6,755,529	6,391,025	3,820,671	-	-	326,397	23,824,491	13,073,525

BASEL II
PILLAR 3 DISCLOSURE

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH

Upon assessment of a customer's credit standing and payment capacity and identification of the proposed financing's source of payment, the Bank may provide a financing facility on a secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the form of debentures, assignments and guarantees.

The Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforceability of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank do not have any credit exposure, which is reduced through the application of other eligible collateral.

Table 18: Credit risk mitigation on credit exposures

Group 31 December 2020	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central banks	6,058,325	-	6,058,325
Public sector entities	251,982	190	251,792
Banks, Development Financial Institution & MDBs	669,900	-	669,900
Corporates	6,517,329	107,940	6,409,389
Regulatory retail	7,106,909	11,067	7,095,842
Residential real estate	4,640,167	-	4,640,167
Higher risk assets	826	-	826
Other assets	447,352	-	447,352
Defaulted exposure	107,289	-	107,289
	25,800,079	119,197	25,680,882
(b) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,115,215	-	1,115,215
Derivative financial instruments	148,181	-	148,181
	1,263,396	-	1,263,396
Total Credit Exposures	27,063,475	119,197	26,944,278

* After netting and credit risk mitigation

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Group **31 December 2019**		**Gross Exposures** **RM'000**	**Total Exposures Covered by Eligible Financial Collateral** **RM'000**	***Net Exposures** **RM'000**
Credit Risk				
(a)	**On Balance sheet exposures**			
	Sovereign/Central banks	5,769,660	-	5,769,660
	Public sector entities	254,601	167	254,434
	Banks, Development Financial Institution & MDBs	372,996	-	372,996
	Corporates	5,894,965	100,581	5,794,384
	Regulatory retail	6,296,749	1,352	6,295,397
	Residential real estate	3,746,935	-	3,746,935
	Higher risk assets	-	-	-
	Other assets	333,973	-	333,973
	Defaulted exposure	122,432	-	122,432
		22,792,310	102,100	22,690,211
(b)	**Off-Balance Sheet Exposures**			
	Credit-related off-balance sheet exposure	1,018,330	-	1,018,330
	Derivative financial instruments	129,847	-	129,847
		1,148,177	-	1,148,177
	Total Credit Exposures	23,940,487	102,100	23,838,388

* After netting and credit risk mitigation

BASEL II
PILLAR 3 DISCLOSURE

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank 31 December 2020	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central Banks	6,058,325	-	6,058,325
Public Sector Entities	251,982	190	251,792
Banks, Development Financial Institution & MDBs	669,900	-	669,900
Corporates	6,509,247	107,939	6,401,308
Regulatory Retail	7,106,909	11,067	7,095,842
Residential Real Estate	4,640,167	-	4,640,167
Higher Risk Assets	826	-	826
Other Assets	440,330	-	440,330
Defaulted Exposures	107,289	-	107,289
	25,784,975	119,196	25,665,779
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,115,215	-	1,115,215
Derivative Financial Instruments	148,181	-	148,181
	1,263,396	-	1,263,396
Total Credit Exposures	27,048,371	119,196	26,929,175

* After netting and credit risk mitigation

6.0 CREDIT RISK MITIGATION ("CRM") DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D)

Table 18: Credit risk mitigation on credit exposures (cont'd)

Bank 31 December 2019	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance sheet exposures			
Sovereign/Central Banks	5,769,660	-	5,769,660
Public Sector Entities	254,601	167	254,434
Banks, Development Financial Institution & MDBs	372,996	-	372,996
Corporates	5,888,645	100,581	5,788,064
Regulatory Retail	6,296,749	1,352	6,295,397
Residential Real Estate	3,746,935	-	3,746,935
Higher Risk Assets	-	-	-
Other Assets	326,396	-	326,396
Defaulted Exposures	122,432	-	122,432
	22,778,413	102,100	22,676,314
(b) Off-Balance Sheet Exposures			
Credit-related Off-Balance Sheet Exposure	1,018,330	-	1,018,330
Derivative Financial Instruments	129,847	-	129,847
	1,148,177	-	1,148,177
Total Credit Exposures	23,926,590	102,100	23,824,491

* After netting and credit risk mitigation

BASEL II
PILLAR 3 DISCLOSURE

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK ("CCR")

Commitments and contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers.

Notwithstanding the above, the Bank establishes specific limits to manage its exposure to off-balance sheet and counterparty risks, which are derived based on, amongst others, the respective counterparty's financial strength and credit rating, sector limits, SCEL limits, connected party, domicile country's risk rating, existing relationship with the Bank and utilization trend of allocated limits. These limits are monitored and reviewed on a regular basis. No material losses are anticipated as a result of these transactions. Risk weighted exposures of commitments and contingencies are as follows:

Table 19: Commitments and contingencies

	Group and Bank					
	31 December 2020			31 December 2019		
The commitments and contigencies constitute the following:	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Total risk weighted amount RM'000**	**Principal amount RM'000**	**Credit equivalent amount RM'000**	**Total risk weighted amount RM'000**
Contingent liabilities						
Direct credit substitutes	**298,114**	**298,114**	**277,009**	231,450	231,450	205,352
Trade-related contingencies	**29,755**	**5,951**	**208**	38,679	7,736	1,494
Transaction related contingencies	**403,511**	**201,755**	**187,023**	428,543	214,272	201,091
Commitments						
Credit extension commitment:						
- Maturity within one year	**722,818**	**144,564**	**137,659**	879,658	175,932	171,477
- Maturity exceeding one year	**929,662**	**464,831**	**427,279**	777,881	388,941	373,034
Other miscellaneous commitments & contingencies	**7,102**	**-**	**-**	-	-	-
Islamic derivative financial instruments						
Foreign exchange related contracts	**3,326,522**	**89,181**	**40,093**	2,965,283	58,660	28,638
- Maturity within one year	**3,326,522**	**89,181**	**40,093**	2,965,283	58,660	28,638
- Maturity exceeding one year	**-**	**-**	**-**	-	-	-
Profit rate related contract	**1,200,000**	**59,000**	**11,800**	1,275,000	71,188	14,238
- Maturity within one year	**-**	**-**	**-**	75,000	188	38
- Maturity exceeding one year	**1,200,000**	**59,000**	**11,800**	1,200,000	71,000	14,200
Total off-balance sheet exposures	**6,917,484**	**1,263,396**	**1,081,071**	6,596,495	1,148,177	995,324

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK ("CCR") (CONT'D.)

Islamic derivative financial assets/(liabilities)

The table below shows the fair values of Islamic derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amounts, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Table 20: Islamic derivative financial assets/(liabilities)

	31 December 2020			31 December 2019		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
Group and Bank	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	**1,509,931**	**4,084**	**(43,920)**	1,294,988	2,784	(19,088)
- Currency swaps						
Less than one year	**1,679,710**	**40,343**	**(15,826)**	1,642,880	19,064	(4,299)
- Currency spot						
Less than one year	**136,881**	**3,393**	**(73)**	27,415	11	(66)
- Dual currency investment option	-	-	-	-	-	-
	3,326,522	**47,820**	**(59,819)**	2,965,283	21,859	(23,453)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	**-**	**-**	**-**	75,000	-	(916)
Hedged IPRS	**1,200,000**	**-**	**(107,516)**	1,200,000	-	(53,178)
Total	**4,526,522**	**47,820**	**(167,335)**	4,240,283	21,859	(77,547)

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK ("CCR") (CONT'D.)

Islamic derivative financial assets/(liabilities) (cont'd.)

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

Table 20: Islamic derivative financial assets/(liabilities)

	31 December 2020			31 December 2019		
	Contract/ notional	Fair value		Contract/ notional	Fair value	
Group and Bank	**amount RM'000**	**Assets RM'000**	**Liabilities RM'000**	**amount RM'000**	**Assets RM'000**	**Liabilities RM'000**
IPRS	**1,200,000**	**-**	**(107,516)**	1,200,000	-	(53,178)

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers.

For the year ended 31 December 2020, the Group and the Bank:

(i) Recognised a net loss of RM54,337,986 (31 December 2019: net loss of RM28,755,380) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM59,900,904 (31 December 2019: net gain of RM31,261,694); and

(ii) There is no recorded gain from derecognition of fair value of hedged items attributable to hedged risk (31 December 2019: Nil) as a result of derecognition of the hedged items.

8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT ("ALM")

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management ("ALM") refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile that is consistent with the Bank's strategic, business plan and risk appetite.

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximize the return to shareholders' funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet in order to maximize earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring and managing market risk exposures in accordance with the Board-approved policies and guidelines. The unit reports to the ALCO Working Committee on a monthly basis, where issues on balance sheet and capital management are proactively discussed and any recommendation and decision reached are then escalated to the ERMC, BRMC and Board respectively.

The Bank has formulated several strategies to effectively manage and ensure a sound balance sheet profile that complements both regulatory and business requirements. Among the strategies implemented for FYE 31 December 2019 were:

- Embark on the enhancement of Fund Transfer Pricing ("FTP") Framework as a mechanism for distributing revenue between profit centres and to improve profitability through improved pricing;
- Concentrate more on sourcing for deposits from retail and SME customers, longer term retail deposits, and deposits from transactional and operational accounts; and
- Review and enhancement of deposit products and features and introduction of more innovative deposit and investment account products.

The Bank's market risk management and ALM processes, which include risk identification, measurement, mitigation, monitoring and reporting are guided by the Market Risk and ALM Policies and Guidelines ("MRAPG") and the Trading and Banking Book Policy Statement ("TBPS").

The Bank defines and segregates its trading and banking book positions as outlined under the TBPS. The policy covers the definition of trading and banking book for financial instruments, classification, performance, limit monitoring, position valuation and hedging requirements.

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8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT ("ALM") (CONT'D)

Market Risk Measurement

1. Value at Risk

Value at Risk which includes the historical simulation is widely used by the Bank as a tool to measure the risk of loss on a specific portfolio of financial assets, limit setting activities and market forecasting.

2. Sensitivity Analysis

The Bank uses various methodologies in assessing the sensitivity of the Bank's portfolio against changes in the market variables.

3. Stress Testing and Scenario Analyses

Stress testing and scenario analyses are used as market risk and ALM tools for evaluation of potential impact on the Bank's performance under plausible extreme adverse conditions. The stress testing include the assessment on the funding and market liquidity, rate of return risk, displaced commercial risk and currency volatility.

Valuation Policy

The Group and the Bank adhere to the minimum prudent valuation practices as stipulated in the CAFIB and MFRS 9 guidelines. Based on these prudential requirements, broad internal guidelines have been drawn out as summarized below:

- **Systems and Controls**

  The Group and the Bank have established and maintained adequate systems and controls to give the management and supervisors the confidence that the valuation estimates are prudent and reliable.

- **Valuation Methodologies**

  There are three levels of fair value hierarchy applied to reflect the level of judgment involved in estimating fair values. The hierarchy is as follows:

  Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

  Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

  Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

8.1 MARKET RISK (DISCLOSURES FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH)

As at 31 March 2015, the Group and the Bank used the standardized approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

Table 21: Minimum regulatory requirement for market risk

Group and Bank
31 December 2020

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	**1,432**	**(1,817)**	**14,851**	**1,190**
Foreign Currency Risk	**7,695**	**(6,075)**	**7,695**	**616**
Total	**9,127**	**(7,892)**	**22,546**	**1,806**

Group and Bank
31 December 2019

	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	1,597	(1,609)	14,639	1,171
Foreign Currency Risk	33,621	(54,857)	20,722	1,658
Total	35,218	(56,466)	35,361	2,829

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8.2 DISCLOSURE FOR EQUITIES

The classification of equity investments must be made at the point of transaction. Equities are classified under the banking book when they are acquired and held for yield or capital growth purposes.

The Bank also engages in direct acquisition of newly-listed quoted shares. As stipulated under the TBPS, these investments are considered under the trading position with the exception of investments in subsidiaries and associates which would require BNM's prior approval. Equities held under the trading book position are subject to market risk capital charge as specified in the CAFIB.

The oversight and supervision of investments in equities and equity funds resides within the Investment Committee's ("IC") authority. This covers decisions on purchase and sale of stocks and ongoing review and monitoring of performance.

Table 22: Equity exposures

Group and Bank
31 December 2020

Publicly Traded	**Gross Credit Exposure RM'000**	**Risk Weighted Assets RM'000**	**Unrealised Gain/ (Losses) RM'000**
Investment in Unit Trust Funds			
Investment in Quoted Shares	**105,537**	**105,537**	**(37,772)**
Total	**105,537**	**105,537**	**(37,772)**
Cumulative realised gains arising from sales and liquidations in the reporting period			**9,583**

Group and Bank
31 December 2019

Publicly Traded	**Gross Credit Exposure RM'000**	**Risk Weighted Assets RM'000**	**Unrealised Gain/ (Losses) RM'000**
Investment in Unit Trust Funds			
Investment in Quoted Shares	104,077	104,077	(28,216)
Total	104,077	104,077	(28,216)
Cumulative realised gains arising from sales and liquidations in the reporting period			1,051

8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORBB")

Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Table 23: Rate of return risks

Risk	Definition
Repricing Risk	Timing differences in the maturity and repricing of the Bank's assets and liabilities
Yield Curve Risk	Unanticipated yield curve shifts that has adverse impact on the Bank's income and economic values
Basis Risk	Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality/Embedded Option Risk	The risk arising from options embedded in the Bank's assets, liabilities and off-balance sheet portfolio

Rate of Return Risk Measurement

The Bank measures various parallel rate shocks scenarios (up to 100 basis points as per Basel II recommendations) and its impact on earnings and equities by assessing key assumptions which incorporates the Bank's balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits. Among the various analyses that are carried out are:

1. **Earning at Risk ("EaR")**

   The focus of this analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Bank by undermining its capital adequacy and reducing market confidence.

2. **Economic Value of Equity ("EVE")**

   Economic value of a bank can be viewed as the present value of the Bank's expected net repricing balance weighted by duration, which can be defined as the expected repricing balance on assets minus the expected repricing balance on liabilities plus the expected net repricing balance on off-balance-sheet position. The sensitivity of a bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

3. **Value at Risk ("VaR")**

   VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

4. **Repricing Gap Analysis**

   Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

5. **Other Risk Assessment**

   Simulation analysis is used to evaluate the impact of possible decisions that includes assessment on product pricing, new product introduction, derivatives and hedging strategies, changes in the asset-liability mix and short term funding decisions.

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8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORBB") (CONT'D)

Rate of Return Risk Measurement (cont'd)

Table 24: Sensitivity analysis of rate of return risk

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

	Group		Bank	
Increase/(decrease) in basis points	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**	**-50 Basis Points RM'000**	**+50 Basis Points RM'000**
Impact on Earnings:				
31 December 2020				
MYR	**(21,994)**	**21,994**	**(21,937)**	**21,937**
USD	**1,851**	**(1,851)**	**1,851**	**(1,851)**
Others*	**35**	**(35)**	**35**	**(35)**
31 December 2019				
MYR	(8,360)	8,360	(8,360)	8,360
USD	1,587	(1,587)	1,587	(1,587)
Others*	37	(37)	37	(37)
Impact on Equity:				
31 December 2020				
MYR	**(30,292)**	**30,292**	**(30,284)**	**30,284**
USD	**417**	**(417)**	**417**	**(417)**
Others*	**63**	**(63)**	**63**	**(63)**
31 December 2019				
MYR	(51,189)	51,189	(51,189)	51,189
USD	376	(376)	376	(376)
Others*	36	(36)	36	(36)

* Inclusive of AUD, CHF, EUR, GBP, JPY and other currencies.

8.4 LIQUIDITY RISK

Liquidity and Funding Risk

Liquidity risk is best described as the inability to fund any obligation on time as they fall due, whether due to increase in assets or demand for funds from the depositors. The Bank will incur liquidity risk if it is unable to create liquidity and this has serious implication on its reputation and continued existence.

In view of this, it is the Bank's priority to manage and maintain a stable source of financial resources towards fulfilling the above expectation. The Bank, through active balance sheet management, ensures that sufficient cash and liquid assets availability are in place to meet the short and long term obligations as they fall due.

Generally, liquidity risk can be divided into two types, which are:

- **Funding Liquidity Risk**

  Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

- **Market Liquidity Risk**

  Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Table 25: Liquidity risk indicators

Magnitude	Indicators
Low	Earnings and capital exposure from the liquidity risk profile is negligible
Moderate	Earnings or capital exposure from the liquidity risk profile is manageable.
High	Funding sources and liability structure suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The Bank monitors the maturity profile of its assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile relies primarily on its ability to grow and retain its customer deposit base. The Bank's marketing strategy is therefore focused on ensuring a balanced mix of deposits, hence, reducing concentration or over-reliance on a specific source of deposit or funding.

Stability of the deposit base minimizes the Bank's dependency on volatile short-term deposits. Considering the effective maturities of deposits based on retention history (behavioral method/analysis) and availability of liquid investments, the Bank is able to ensure sufficient liquidity.

The Asset & Liability Working Committee (ALCO) meets on a monthly basis to review the Bank's liquidity gap profile and deliberates on appropriate strategies to manage and mitigate the risk exposure. In addition, liquidity stress test is periodically conducted to address strategic issues concerning liquidity risk.

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

To effectively manage its liquidity, the Bank has the following policies and strategies in place:

- **Management under normal condition:**

  Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.

  The Bank monitors its liquidity positions through liquidity controls such as maximum cumulative outflows, deposits concentration, financing to deposits ratio, and controlled financing draw down level.

- **Management under crisis condition:**

  Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due. The crisis can be classified into three levels as follows:

Contigency Level	Trigger/Status
Level 1	Abnormal event that interrupts normal business operations at a minimal level.
Level 2	Disruption event tantamount or escalates into a crisis e.g. massive or continuous withdrawal of deposits in a particular branch or area, difficulties in borrowing from interbank market.
Level 3	Critically threatens the operations, staffs, shareholders' value, stakeholders, brand, reputation of which a crisis management is necessary to be put in place.

The Bank's Liquidity Crisis Management is outlined in the Liquidity Crisis Contigency Plan ("LCCP") Policy. Further, as required under the Basel 3 guidelines, the Bank has put in place the relevant measures and monitoring processes on liquidity management through the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") computations. The Bank has implemented minimum levels to ensure the LCR and NSFR level is maintained in compliance with minimum threshold and timelines on implementation are as below:

Ratio	Minimum Level	Full Implemetation – Effective Date
LCR	100%	1st January 2019
NSFR	100%	1st July 2019

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group 31 December 2020	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 - 5 Years RM'000	Over 5 Years RM'000	Total RM'000
ASSETS								
Cash and short-term funds	2,369,462	563,710	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	-	30,417	-	-	-	-	30,417
Financial investments at fair value through profit and loss	-	-	-	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,607,258	150,491	3,798,964
Financial investments at amortised cost	-	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	6,046,320	7,038,278	18,115,815
Other assets	-	646	-	-	112,027	38,598	271,529	422,800
TOTAL ASSETS	2,435,706	1,399,321	1,959,881	1,278,470	2,135,312	8,993,337	7,565,842	25,767,869
LIABILITIES AND EQUITY								
Deposits from customers	9,509,884	4,662,369	3,232,770	2,894,806	725,795	423,546	52,196	21,501,366
Deposits and placements of banks and other financial institutions	-	25	28	283	485	3,062	94,463	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	25,447	82,066	167,331
Other liabilities	-	23,084	5,367	943	76,516	40,479	-	146,389
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	444,141	-	444,141
Subordinated sukuk	-	-	-	250,642	-	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	-	502,692
Total Liabilities	9,513,656	4,710,212	3,263,752	3,161,312	1,302,885	936,675	228,725	23,117,217
Equity attributable to shareholders of the Bank							2,650,652	2,650,652
NET MATURITY MISMATCH	(7,077,950)	(3,310,891)	(1,303,871)	(1,882,842)	832,427	8,056,662	4,686,465	-
Commitments and contingencies								
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	563,753	1,358	731,379
Commitments	65,182	93,499	199,988	74,779	433,772	245,644	539,616	1,652,480
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	136	260	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	500,000	700,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	1,309,533	1,241,234	6,917,484

BASEL II
PILLAR 3 DISCLOSURE

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Group 31 December 2019	7 Days RM'000	Up to 1 Month RM'000	>7 Days - Months RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Years RM'000	>1 - 5 Years RM'000	Over 5 Total RM'000
ASSETS								
Cash and short-term funds	980,935	30,290	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	-	53,925	-	-	-	-	53,925
Financial investments at fair value through profit and loss	-	-	-	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,528,637	301,843	4,604,824
Financial investments at amortised cost	-	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	-	21,859
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	5,155,270	6,267,703	15,861,239
Other assets	-	1,381	-	-	39,688	62,256	760,459	863,784
TOTAL ASSETS	1,030,319	672,491	1,363,318	1,823,515	2,620,154	7,885,847	7,433,167	22,828,811
LIABILITIES AND EQUITY								
Deposits from customers	8,217,263	4,214,031	3,520,052	1,396,715	1,499,877	51,927	40,687	18,940,552
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	-	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	10,279	42,898	77,546
Other liabilities	-	15,122	2,577	2,564	52,997	41,209	-	114,469
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	459,633	-	459,633
Subordinated sukuk	-	-	-	637	-	249,895	-	250,532
Senior sukuk	-	-	-	2,765	-	499,752	-	502,517
Total Liabilities	8,218,800	4,237,655	3,533,321	1,414,293	1,554,807	1,317,535	83,585	20,359,996
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,468,815	2,468,815
NET MATURITY MISMATCH	(7,188,481)	(3,565,164)	(2,170,003)	409,222	1,065,347	6,568,312	4,880,767	-
Commitments and contingencies								
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	520,220	802	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	126,883	92,103	1,657,539
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	500,000	700,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,147,103	792,904	6,596,494

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2020	7 Days RM'000	Up to 1 Month RM'000	>7 Days - Months RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Years RM'000	>1 - 5 Years RM'000	Over 5 Total RM'000
ASSETS								
Cash and short-term funds	2,369,462	563,710	-	-	-	-	-	2,933,172
Cash and placements with financial institutions	-	-	30,417	-	-	-	-	30,417
Financial investments designated at fair value through profit and loss	-	-	-	12,176	-	301,161	-	313,337
Financial investments at fair value through other comprehensive income	-	149,868	635,472	131,976	123,899	2,604,791	150,491	3,796,497
Financial investments at amortised cost	-	-	-	-	-	-	105,544	105,544
Islamic derivative financial assets	6,746	20,059	7,580	12,516	919	-	-	47,820
Financing of customers	59,498	665,038	1,286,412	1,121,802	1,898,467	6,046,320	7,032,662	18,110,199
Other assets	3	646	-	-	111,198	32,088	284,438	428,373
TOTAL ASSETS	2,435,709	1,399,321	1,959,881	1,278,470	2,134,483	8,984,360	7,573,135	25,765,359
LIABILITIES AND EQUITY								
Deposits from customers	9,514,409	4,670,742	3,232,737	2,894,773	725,772	423,529	52,196	21,514,158
Deposits and placements of banks and other financial institutions	-	25	28	283	485	3,062	94,463	98,346
Bills and acceptances payable	-	-	6,310	-	-	-	-	6,310
Islamic derivative financial liabilities	3,772	24,734	19,277	11,827	208	25,447	82,068	167,333
Other liabilities	-	23,865	5,367	1,305	76,167	32,494	-	139,198
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	444,141	-	444,141
Subordinated sukuk	-	-	-	250,642	-	-	-	250,642
Senior sukuk	-	-	-	2,811	499,881	-	-	502,692
Total Liabilities	9,518,181	4,719,366	3,263,719	3,161,641	1,302,513	928,673	228,727	23,122,820
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,642,539	2,642,539
NET MATURITY MISMATCH	(7,082,472)	(3,320,045)	(1,303,838)	(1,883,171)	831,970	8,055,687	4,701,869	-
Commitments and contingencies								
Contingent liabilities	7,439	4,187	31,617	46,925	76,100	563,753	1,358	731,379
Commitments	65,182	93,499	199,988	74,779	433,772	245,644	539,616	1,652,480
Other Miscellaneous Commitment and Contingent Liabilities	6,455	88	-	161	2	136	260	7,102
Islamic derivative financial instruments	483,039	820,123	864,001	917,416	241,944	500,000	700,000	4,526,523
Total commitments and contingencies	562,115	917,897	1,095,606	1,039,281	751,818	1,309,533	1,241,234	6,917,484

8.4 LIQUIDITY RISK (CONT'D)

Liquidity and Funding Risk (cont'd)

Table 26: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd)

Bank 31 December 2019	7 Days RM'000	Up to 1 Month RM'000	>7 Days - Months RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Years RM'000	>1 - 5 Years RM'000	Over 5 Total RM'000
ASSETS								
Cash and short-term funds	980,935	30,290	-	-	-	-	-	1,011,225
Cash and placements with financial institutions	-	-	53,925	-	-	-	-	53,925
Financial investments designated at fair value through profit and loss	-	-	-	56,309	112,800	139,684	-	308,793
Financial investments at fair value through other comprehensive income	-	10,200	151,105	705,557	907,482	2,526,212	301,843	4,602,399
Financial investments at amortised cost	-	-	-	-	-	-	103,162	103,162
Islamic derivative financial assets	192	6,639	3,106	11,922	-	-	-	21,858
Financing of customers	49,192	623,981	1,155,182	1,049,727	1,560,184	5,155,269	6,263,808	15,857,342
Other assets	(53)	1,381	-	-	38,851	55,317	773,481	868,979
TOTAL ASSETS	1,030,266	672,491	1,363,318	1,823,515	2,619,317	7,876,482	7,442,294	22,827,683
LIABILITIES AND EQUITY								
Deposits from customers	8,224,917	4,220,831	3,520,052	1,396,715	1,499,877	51,927	40,687	18,955,006
Deposits and placements of banks and other financial institutions	-	51	142	253	1,017	4,840	-	6,303
Bills and acceptances payable	-	-	8,444	-	-	-	-	8,444
Islamic derivative financial liabilities	1,537	8,451	2,106	11,359	916	10,279	42,898	77,546
Other liabilities	-	14,480	2,577	3,062	52,415	32,877	-	105,411
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	459,633	-	459,633
Subordinated sukuk	-	-	-	637	-	249,895	-	250,532
Senior sukuk	-	-	-	2,765	-	499,752	-	502,518
Total Liabilities	8,226,454	4,243,813	3,533,321	1,414,791	1,554,225	1,309,203	83,585	20,365,392
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	2,462,291	2,462,291
NET MATURITY MISMATCH	(7,196,188)	(3,571,322)	(2,170,003)	408,724	1,065,092	6,567,279	4,896,418	-
Commitments and contingencies								
Contingent liabilities	15,902	8,023	17,160	35,239	101,327	520,220	802	698,672
Commitments	50,630	132,062	202,008	94,380	959,474	126,883	92,102	1,657,538
Islamic derivative financial instruments	346,279	1,066,697	290,640	1,261,667	75,000	500,000	700,000	4,240,283
Total commitments and contingencies	412,811	1,206,782	509,808	1,391,286	1,135,801	1,147,103	792,904	6,596,494

9.0 OPERATIONAL RISK MANAGEMENT ("ORM") DISCLOSURES

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 wide spectrum of risks such as fraud, physical damage, business disruption, transaction failures, legal, regulatory breaches including fiduciary breaches and Shariah non-compliance as well as employee health and safety hazards.

The objective of operational risk management is to effectively manage these risks in order to avoid or reduce any possible financial or non-financial losses arising from operational lapses.

In relation to operational risk management, the Operational and Shariah Risk Management Section ("OSRMS"), Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, as well as the business and support units play a significant role in the overall integrated risk management framewok.

The management of operational risks is targeted at preventing and managing loss events and potential risks by using operational risk tools, namely, Risk and Control Self Assessment ("RCSA"), Key Risk Indicator (KRI), Incident Management and Data Collection ("IMDC"), Scenario Analysis ("SA") and Stress Test ("ST").

The risk management processes and controls are established in line with the Bank's operational risk management framework, internal policies, regulatory requirements and standard operating procedures as guidance.

The Muamalat Operational Risk Solution ("MORiS")

The MORiS is a web-based application that is used as a tool in risk identification and assessment. It also acts as a centralized loss incidents database by capturing and storing loss-related data and is used to track risk exposures against established key risk indicators ("KRI") overtime.

Its key objective is to improve monitoring and reporting of risk activities in branches and the head office through the Risk & Control Self-Assessment ("RCSA"), Incident Management Data Collection ("IMDC"), and Key Risk Indicator ("KRI")."

Business Continuity Management ("BCM")

The Bank adopts the BNM's Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that would enable the Bank to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank develops the Business Continuity Plan ("BCP") by way of completing the Risk Assessment ("RA") and Business Impact Analysis ("BIA"). RA is a tool used to identify potential threats for all business functions. A BIA will be carried out to identify critical business functions' recovery time objective ("RTO") and maximum tolerable downtime ("MTD") taking into account the Bank's resources and infrastructures. The RA and BIA sessions are conducted annually with the business units.

BASEL II
PILLAR 3 DISCLOSURE

9.0 OPERATIONAL RISK MANAGEMENT ("ORM") DISCLOSURES (CONT'D.)

ORM Minimum Capital Requirement

The Group and the Bank adopt the Basic Indicator Approach ("BIA") to determine the minimum capital requirement for its operational risk. Under this approach, the Group and the Bank set aside a fixed percentage (a or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group's and the Bank's minimum capital is presented in table below:

Table 27: ORM minimum capital requirement

	31 December 2020		31 December 2019	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	**1,259,314**	**100,745**	1,218,544	97,484
Bank	**1,250,046**	**100,004**	1,206,121	96,490

10.0 SHARIAH GOVERNANCE DISCLOSURES

Overview

BMMB's shariah governance structure is governed by BNM's guidelines on Shariah Governance Policy Document ("SGPD"), and any related guidelines issued by the authorities, subject to variations and amendments from time to time.

Shariah governance system as defined by the IFSB Guiding Principles on Shariah Governance System on Institutions Offering Islamic Financial Services ("IFSB-10") refers to a set of institutional and organizational arrangements to oversee Shariah compliance aspects in Islamic financial institutions (IFI).

In this context, Shariah non-compliance risk has been defined as "the risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the Shariah Committee ("SC") of BMMB and relevant Shariah Authorities ("SA") committees.

Shariah risk management and governance in BMMB are in accordance with the Policy on Shariah Governance ("Policy"), which is endorsed by the Shariah Committee and approved by the Board. The Policy is drawn up in accordance to the SGPD issued by BNM on 20 September 2019.

In ensuring the operations and business activities of the Bank remain consistent with Shariah principles and regulatory requirements, the Bank has established its own internal Shariah Committee and internal Shariah Organs, which consist of Shariah Division, Shariah Audit, Shariah Review, and Shariah Risk Management.

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D)

Shariah Governance Structure

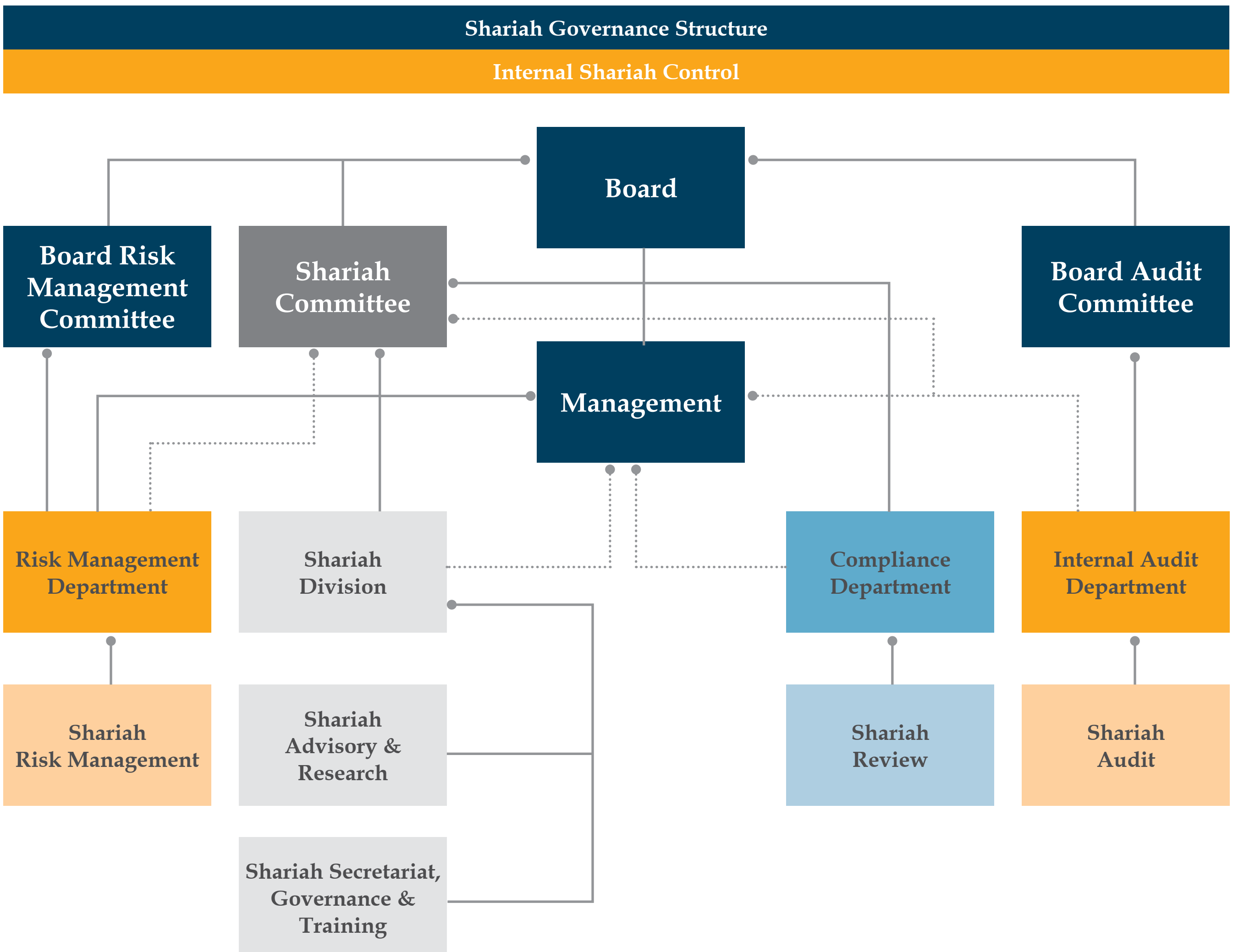
Internal Shariah Control

Shariah compliance management is driven top down from the Board through the Shariah Committee ("SC") who has the responsibility of understanding Shariah-related matters in the activities assumed by the Group and the Bank.

The Group and the Bank align its Shariah Management and Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for an integrated compliance management. The SC function independently and ensure the integration of compliance management.

In ensuring that the compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions are segregated to the business operating units.

Table 28: Shariah governance structure



BASEL II
PILLAR 3 DISCLOSURE

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D)

Rectification Process of Shariah Non-Compliance Income ("SNCI") and Unidentified Funds

Earning and Expenditure Prohibited by Shariah

Policy on Management of Shariah Non-Compliant Income was formulated pursuant to the BNM's Policy Document on Shariah Governance Framework for IFI, which defines the principles and practices to be applied by the Bank in managing its SNCI.

SNCI is an income generated from any transaction(s) that breaches the governing Shariah principles and requirements as determined by the Bank's SC and/or other Shariah Authorities (SA).

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from to time.

The amount of SNCI and events decided by SC is as follows:

31 December 2020	31 December 2019
Event – 2 **Nostro interest received – nil**	Event – 5 plus monthly Nostro interest received (31 December 2019: RM 61.79)

There were a total of two (2) Shariah non-compliant events recorded and deliberated in SC meeting, with no financial impact.

The Bank has taken its corrective as well as preventive measures in order to avoid recurrence in the future. All of the events together with the rectification plans were presented to the Board of Directors and SC and reported to BNM in accordance with the Shariah non-compliance reporting requirement prescribed by BNM.

Any financial amount reported as SNCI will be utilised to fund approved charitable activities as guided by SC of the Bank.

Unidentified fund/Shubhah

During the Bank's daily operations, there are certain funds received by the Bank where the source is not clear or uncertain. These funds cannot be recognised as income and must be retained in the Maslahah Ammah account. The utilisation of these funds follows similar procedures set for the SNCI funds.

Example's of unidentified funds are cash excess identified at teller and automated teller machines ("ATM"), and unidentified credit balance in the General Ledger.

The total earnings prohibited by Shariah and the unidentified funds during the financial year were recorded at RM408,927 (31 December 2019: RM710,864).

CORPORATE INFORMATION
AS OF 22 MARCH 2021

BOARD OF DIRECTORS

Datuk Seri Tajuddin Atan *(Chairman)*

Dato' Sri Che Khalib Mohamad Noh

Dato' Ibrahim Taib

Iwan Rashman Gulamoydeen

Ghazali Haji Darman

Md Khairuddin Haji Arshad

Johari Abdul Muid *(appointed w.e.f 10 November 2020)*

COMPANY SECRETARY

Julaida Jufri (LS0009358)

REGISTERED OFFICE

30th Floor, Menara Bumiputra
Jalan Melaka
50100 Kuala Lumpur
Tel : 603-2600 5493
Fax : 603-2693 3367

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

BRANCH NETWORK
AS AT 31 MAY 2021

Customer Careline No: 03-2600 5500
Ar-Rahnu services is incorporated in all branches

REGIONAL OFFICE CENTRAL

1st & 2nd Floor, No D32 & D33,
Jalan Medan Pusat Bandar 4,
Seksyen 9,
43650 Bandar Baru Bangi, Selangor
Fax: +603-8925 5894

WILAYAH PERSEKUTUAN

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Jalan Melaka PO Box 10407,
50913 W.P Kuala Lumpur
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Ground Floor, Wisma TCT,
No. 516-1,
Batu 3, Jalan Ipoh,
51200 Kuala Lumpur
Fax: +603-4043 1467

Sungai Besi 1 1
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Medan Niaga Tasik Damai,
Sungai Besi,
57000 Kuala Lumpur
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No. 399, Ground Floor,
Bangunan UMNO Lama,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur
Fax: +603-2697 8020

Putrajaya 1 1
No. 2 & 4, Ground & 1st Floor,
Jalan Diplomatik 2,
Pusat Komersial Diplomatik,
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62050 Putrajaya
Fax: +603-8889 2053

Taman Melawati 1 2
Lot G-3A, B-1-3 & G-05,
Melawati Corporate Office,
Taman Melawati,
53100 Kuala Lumpur
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Alam Damai 1 1
No 6,
Jalan Alam Damai 1,
Alam Damai, Cheras,
Kuala Lumpur
Fax: +603-9101 8023

SELANGOR

Bandar Baru Bangi 1 1
Ground, 1st & 2nd Floor, 32 & 33,
Jalan Medan Pusat Bandar 4,
Seksyen 9,
43650 Bandar Baru Bangi,
Selangor
Fax: +603-8925 5884/5894

Batu Caves 1 1
No. 3A & 3A-1 (Ground & Level 1) &
No. 5 (Ground Floor),
Prima Samudera,
Jalan Samudera Utara 11,
Taman Samudera,
68100 Batu Caves,
Selangor
Fax: +603-6186 2387

Glenmarie, Shah Alam 1 1
No. 2, Jalan Presiden F U1/F,
Accentra Glenmarie,
Seksyen U1,
40150 Shah Alam,
Selangor
Fax: +603-5569 1435

Kajang 1 1
Ground, 1st & 2nd Floor,
No. 2-1-G/1/2,
Jalan Prima Saujana 2/1,
Prima Saujana,
43000 Kajang,
Selangor
Fax: +603-8734 1604

Klang 1 1
No. 46 & 48,
Jalan Kelicap 42A/Ku1,
Klang Bandar Diraja,
Off Jalan Meru,
41050 Klang,
Selangor
Fax: +603-3344 4146

Petaling Jaya 1 1
No. B-29-1 & 2, Block B, Jaya One,
72A, Jalan Universiti,
46200 Petaling Jaya,
Selangor
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Puncak Alam 1 1
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Bandar Puncak Alam,
42300 Selangor
Fax: +603-3393 8014

Rawang 1 1
No. 9 & 11,
Jalan Bandar Baru Rawang 1,
Bandar Baru Rawang,
48000 Rawang, Selangor
Fax: +603-6092 1677

Legend ATM CICO CDM

PKNS, Shah Alam 1 1
G-1, 2 & 3 Ground Floor,
Kompleks PKNS,
40000 Shah Alam,
Selangor
Fax: +603-5510 6611

Laman Seri 1 1
Ground & 1st Floor No. G03A & 103A,
Laman Seri Business Park,
No. 7, Jalan Sukan, Seksyen 13,
40100 Shah Alam, Selangor
Fax: +603-5510 0239

Subang Jaya 1 1
Ground & 1st Floor,
No. 1, Jalan USJ Sentral 2,
USJ Sentral,
47500 Subang Jaya,
Selangor
Fax: +603-8022 1729/8022 1730

Universiti Islam Antarabangsa (UIA) 2 1
Lot AHC 1-3 & Lot AHC 2-1,
Azman Hashim Complex,
Universiti Islam Antarabangsa
Malaysia, Jalan Gombak,
53100 Kuala Lumpur
Fax: +603-6187 8579

Ampang Point 1 1
No. 23 & 23-A,
Jalan Mamanda 7/1,
Off Jalan Ampang,
68000 Ampang, Selangor
Fax: +603-4270 0215

Muamalat Beyond Affluent Banking
No. 23-A, Jalan Mamanda 7/1,
Off Jalan Ampang,
68000 Ampang, Selangor
Fax: +603-4270 0787

REGIONAL OFFICE NORTHERN

Ground, 1st & 2nd Floor,
No. 27 & 28, Jalan Todak 2,
Bandar Sunway, Seberang Jaya,
13700 Perai, Butterworth,
Pulau Pinang
Fax: +604-384 1476

PERAK

Ipoh 1 1
Ground & Mezzanine Floor,
Wisma Maju UMNO,
Jalan Sultan Idris Shah,
30000 Ipoh, Perak
Fax: +605-243 4997

Parit Buntar 1 1
No. 40 & 42,
Jalan Wawasan 4,
Taman Wawasan Jaya,
Pusat Bandar Baru,
34200 Parit Buntar,
Perak
Fax: +605-716 7204

Seri Manjung 1 1
Ground & 1st Floor,
No. 392, Taman Samudera,
32040 Seri Manjung,
Perak
Fax: +605-688 4931

Taiping 1 1
98-100, Ground & 1st Floor,
Jalan Kota,
34000 Taiping, Perak
Fax: +605-807 8375

KEDAH

Alor Setar 1 1
Ground & Mezzanine Floor,
Lot No. 2242 & 1009,
Menara Dewan Perhimpunan
Melayu Kedah,
(DPMK) Lebuhraya Darul Aman,
05100 Alor Setar, Kedah
Fax: +604-734 0248

Kulim 2 1
No. 6, Bangunan Al-Ikhwan,
Pusat Perniagaan Putra,
Jalan Kilang Lama,
09000 Kulim, Kedah
Fax: +604-490 7714

Sungai Petani 1 1
No. 21, Lot 88,
Jalan Perdana Heights 2/2,
Perdana Heights,
08000, Sungai Petani, Kedah
Fax: +604-421 5007

Souq Al-Bukhary 1 1
Ground Floor,
Bazaar Souq Al-Bukhary,
No 1, Jalan Tun Abdul Razak,
05200 Alor Setar, Kedah.
Fax: +604-731 5546

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BRANCH NETWORK
AS AT 31 MAY 2021

PULAU PINANG

Bayan Baru 1 1
No. 58 & 60,
Taman Sri Tunas,
Jalan Tengah,
11950 Bayan Baru, Pulau Pinang
Fax: +604-6308 111

Seberang Jaya 1 1
Ground, 1st & 2nd Floor,
No. 27 & 28, Jalan Todak 2,
Bandar Sunway,
Seberang Jaya,
13700 Perai, Butterworth,
Pulau Pinang
Fax: +604-399 3797/398 0306

Lebuh Pantai 1 1
No. 64, Lebuh Pantai,
10300, Georgetown,
Pulau Pinang
Fax: +604-261 1700

PERLIS

Kangar 2 1
No. 11 & 13,
Jalan Bukit Lagi,
01000 Kangar,
Perlis
Fax: +604-976 4799

REGIONAL OFFICE EAST COAST

Tingkat 2, Bangunan Perbadanan
Menteri Besar Kelantan (PMBK),
Jalan Kuala Krai,
15150 Kota Bharu, Kelantan
Fax : +609-743 3993

PAHANG

Kuantan 1 1
B-114 & B-116,
Lorong Tun Ismail 9,
Sri Dagangan 2,
25000 Kuantan Pahang
Fax: +609-516 1675

Mentakab 1 1
6 & 7, Jalan Tun Abd Razak,
28400 Mentakab,
Pahang
Fax: +609-277 4940

Pekan 1 1
G-02, Ground Floor,
Bangunan UMNO (Bahagian Pekan),
Jalan Teng Que,
26600 Pekan, Pahang
Fax: +609-422 3751

Temerloh 1 1
Ground & 1st Floor,
C-8, Jalan Tengku Ismail,
28000 Temerloh, Pahang
Fax: +609-2960 478

TERENGGANU

Kuala Terengganu 1 1
1, Jalan Air Jerneh,
20300 Kuala Terengganu,
Terengganu
Fax: +609-622 3543

Kampung Raja 2 1
Lot 5678 & 5679, Taman D'Lahar,
Gong Kepas, Kampung Raja,
22200 Besut, Terengganu
Fax: +609-697 5566

Kemaman 1 1
C-G-09 & C-01-09,
Block C, Persiaran COAST,
Pusat Perniagaan COAST Kemaman,
24000, Kemaman,
Terengganu
Fax: +609-8587 471

KELANTAN

Jalan Sultan Yahya Petra 1 1
Ground Floor,
Lot PT 265 & PT 266,
Wisma Nik Kob,
Jalan Sultan Yahya Petra,
15200 Kota Bharu,
Kelantan
Fax: +609-747 3230

Kota Bharu 1 1
Ground & First Floor,
Bangunan Perbadanan Menteri Besar
Kelantan (PMBK), Jalan Kuala Krai,
15150 Kota Bharu,
Kelantan
Fax: +609-744 4622

Jeli 1 1
Ground & 1st Floor,
No. PT 4646, Lot 2003,
PN 3523,
17600 Bandar Jeli, Kelantan
Fax: +609-944 8228

Kok Lanas 2 1
Ground & 1st Floor,
Lot PT 5080, Kompleks Perniagaan
Saidina Ali,
Jalan Kuala Krai, Kok Lanas,
16450 Kota Bharu, Kelantan
Fax: +609-788 6828

Tanah Merah 1 1
No. 692, 693 & 694,
Kompleks Perniagaan Humaira,
Pusat Bandar Tanah Merah,
17500 Tanah Merah, Kelantan
Fax: +609-954 4550

Gua Musang 1 1
Ground Floor,
PT 13772, 13773 & 13774,
Bandar Baru Gua Musang,
18300 Gua Musang,
Kelantan
Fax: +609-912 2069

Legend ATM CICO CDM

REGIONAL OFFICE SOUTHERN

Lot 1 & 2,
Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Fax: +607-228 1550

JOHOR

Batu Pahat 1 1
Ground & 1st Floor, No. 24 & 25,
Jalan Kundang, Taman Bukit Pasir,
83000 Batu Pahat, Johor
Fax: +607-432 4945

Johor Bahru 1 1
Ground & 1st Floor,
Lot 1 & 2,
Kebun Teh Commercial City,
Jalan Kebun Teh,
80250 Johor Bahru, Johor
Fax: +607-224 0811

Johor Jaya 1 1
149, Jalan Mutiara Emas 10/19,
Taman Mount Austin,
81100 Johor Bahru
Fax: +607-355 8106

Kluang 1 1
No. 1, Jalan Persiaran Dato' Haji
Ismail Hassan,
86000 Kluang, Johor
Fax: +607-774 4419

Kulai Jaya 1 1
No. 32 Jalan Sri Putra 1,
Bandar Putra,
81000 Kulai, Johor
Fax: +607-662 1570

Segamat 1 1
No. 37 & 38,
Jalan Genuang Perdana,
Taman Genuang Perdana,
85000 Segamat, Johor
Fax: +607-943 3042

Taman Universiti 1 1
Ground & 1st Floor,
No. 28, Jalan Kebudayaan 5,
Taman Universiti,
81300 Skudai, Johor
Fax: +607-520 5503

Universiti Tun Hussein Onn Malaysia 1 1
Ground Floor,
Bangunan Pusat Khidmat Pelajar,
Universiti Tun Hussein Onn Malaysia,
86400 Parit Raja,
Batu Pahat, Johor
Fax: +607-453 6125

Kota Tinggi 1 1
No. 23, 25 & 27,
Jalan Seri Warisan
Kota Heritage Mall,
81900 Kota Tinggi, Johor
Fax: +607-882 5229

Muar 1 1
No. 8 & 9, Pusat Dagangan Bakri,
Jalan Bakri, 84000 Muar, Johor
Fax: +607-954 2311

MELAKA

Taman Cheng Baru 1 1
No.92, Jalan Cheng Baru 1,
Taman Cheng Baru,
75250 Melaka
Fax: +606-312 5091/5092

Melaka 1 1
395, Taman Sinn,
Jalan Semabuk,
75050 Melaka
Tel: +606-282 8171
Fax: +606-286 7518

KIOSK

Sungai Udang 1 1
No. 11, Jalan Kerambit 1,
Bandar Baru Sungai Udang,
76300 Sungai Udang, Melaka
Fax: +606-351 5703

NEGERI SEMBILAN

Seremban 1 1
Wisma Great Eastern,
No. 105, 107 & 109,
Jalan Yam Tuan,
70000 Seremban,
Negeri Sembilan
Fax: +606-762 7218

Port Dickson 1 1
No 3 & 3A, Jalan Remis 2,
Medan Remis, Telok Kemang,
71050 Negeri Sembilan
Fax: +606-646 2331

Gemas 1 1
No. 16, Jalan DS 1/1,
Dataran Satria 1,
73400 Gemas,
Negeri Sembilan
Fax: +607-948 2106

Legend ATM CICO CDM

BRANCH NETWORK
AS AT 31 MAY 2021

EAST MALAYSIA REGIONAL OFFICE

C-06-02, Block C,
Aeropod Commercial Square,
Jalan Aeropod, Off Jalan Kepayan,
88200 Kota Kinabalu,
Sabah
Fax: +6088-233 530

SARAWAK

Bintulu 1 1
No. 252, Lot 73,
Parkcity Commercial Centre,
Jalan Tanjung Batu,
97000 Bintulu, Sarawak
Fax: +6086-337 461

Kuching 2 1
Ground Floor, Lot 456,457 & 458,
Al-Idrus Commercial Centre,
Jalan Satok,
93400 Kuching, Sarawak
Fax: +6082-418 692

Miri 1 1
433-434 Ground & First Floor
Jalan Bendahara
98000 Miri
Sarawak
Fax: +6085-418 111

SABAH

Kota Kinabalu 1 1
C-06-01 & C-07-01, Block C,
Aeropod Commercial Square,
Jalan Aeropod, Off Jalan Kepayan,
88200 Kota Kinabalu,
Sabah
Fax: +6088-239 128

Labuan 2 1
Ground & 1st Floor, Block B,
Lot U0471E, Lazenda Centre,
Jalan OKK Abdullah,
87007 Wilayah Persekutuan Labuan
Fax: +6087-424 204

Tawau 1 1
Lot 69 & 70,
Groud & 1st Floor,
Kubota Square, Jalan Kubota,
91000 Tawau, Sabah
Fax: +6087-771 493

Sandakan 1 1
Unit No. 95 to 97,
Ground Floor, Lot 265 to 267,
First Floor, East Coast,
Sejati Walk,
90000 Sandakan, Sabah
Fax: +6089-669 519

Legend: ATM, CICO, CDM

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