



FINANCIAL STATEMENTS





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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 significant 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) (resigned on 2 June 2020)
Tan Sri Dato' Dr Mohd Munir Abdul Majid	
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

Mohd Faruk Abdul Karim

Mohamed Fadzil Sulaiman

(resigned on 12 July 2020)

(appointed on 9 June 2020)

(resigned on 19 September 2020)

Muamalat Venture Sdn Bhd

Khairul Kamarudin

Mohamed Rezwan Abdullah Ismail

PeerMohamed Ibramsha

(appointed on 31 December 2020)

(resigned on 1 January 2021)

Muamalat Nominees (Asing) Sdn Bhd

Khairul Kamarudin

Mohamed Rezwan Abdullah Ismail

PeerMohamed Ibramsha

(appointed on 31 December 2020)

(resigned on 1 January 2021)

Muamalat Nominees (Tempatan) Sdn Bhd

Khairul Kamarudin

Mohamed Rezwan Abdullah Ismail

PeerMohamed Ibramsha

(appointed on 31 December 2020)

(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 31.12.2020
	As at 31.12.2019	Acquired	Disposed	
Interest in DRB-HICOM Berhad, holding company:				
<u>Indirect Interest</u>				
Dato' Sri Che Khalib Mohamad Noh	3,500 [^]	-	-	3,500 [^]
<u>Direct Interest</u>				
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 RISE24¹, 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 Bank will 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

Kuala Lumpur, Malaysia



Ghazali Hj Darman
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT, 2016

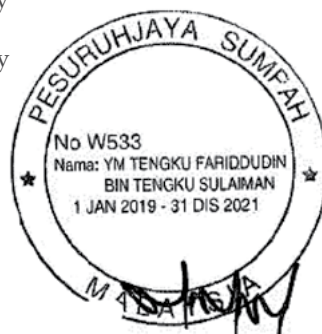
In the name of Allah, The Most Beneficent, The Most Merciful

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



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

Kuala Lumpur, Malaysia
29 March 2021



Dr. Mohd Shahid Mohd Noh
Member of Shariah Committee

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 sufficient 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 International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the Directors' Report 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 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.

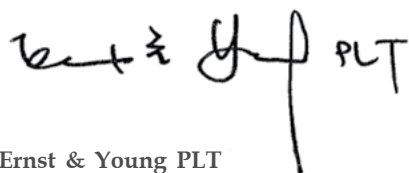
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)**

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

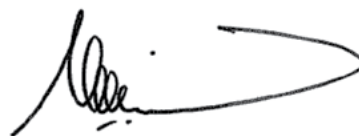
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
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)

		Group	
	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)	3,798,965	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.

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.

STATEMENT OF PROFIT OR LOSS

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)
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	Non-Distributable			Fair value through other comprehensive income reserve RM'000	Distributable	
	Ordinary shares RM'000	Regulatory reserve RM'000	Exchange fluctuation reserve RM'000		Retained profits RM'000	Total equity RM'000
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)

Bank	Non-Distributable			Fair value through other comprehensive income reserve RM'000	Distributable	
	Ordinary shares RM'000	Regulatory reserve RM'000	Exchange fluctuation 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		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)
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		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)
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		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)
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.

	Sukuk		Recourse obligation on financing sold to Cagamas	
	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)
Group and Bank				
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	Lease Liabilities		Bank
	For the twelve months ended	For the nine months ended	For the twelve months ended	For the nine months ended
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000 (Note 1)	RM'000	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 loses 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

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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-performing	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

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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.

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.)

(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

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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 expected 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.

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.)

(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 remeasurement of 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
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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

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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) Rahn

In Ar-Rahn 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-Rahn, 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

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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 impact of the 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:

Automatic six-month moratorium

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

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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	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	Stage 2	Stage 3	Total ECL RM'000
	12-Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired 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	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		Bank	
		31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	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		Bank	
		31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	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
Caqamas 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		Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	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	31 December 2019 RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia less: accumulated impairment losses	145,515 (39,971)	144,309 (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.

Group and Bank	31 December 2020			31 December 2019		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities 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 RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities 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'	Ijarah	Bai'		Murabahah		Qard	Murabahah to the Purchase Orderer	Shirkah	Rahnu (Qard)	Total financing
	Bithaman Ajil RM/000	Thumma Al-Bai RM/000	Inah RM/000	Tawarruq RM/000	Al-Dayn RM/000	Murabahah RM/000					
Cash line	-	-	3,535	566,558	-	-	-	-	-	-	570,093
Term financing:											
Home financing	1,580,358	-	-	3,276,125	-	-	-	-	-	-	4,866,083
Syndicated financing	-	-	-	550,719	-	9,600	-	-	-	-	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	-	-	-	-	-	92,978
Claims on customers under acceptance credits	-	-	-	-	162,297	-	-	-	-	-	1,044,298
Staff financing	34,558	-	-	62,620	-	-	105	-	-	-	97,283
Revolving credit	-	-	-	1,794,063	-	-	-	-	-	-	1,794,063
At-Rahnu	-	-	-	287,032	-	-	-	-	-	17,504	304,536
Total gross financing ^	1,918,941	317,223	3,563	14,455,683	184,878	48,648	342	240,256	76,757	17,504	18,216,193
Fair value changes arising from fair value hedge	-	-	-	91,113	-	-	-	-	-	-	91,113
Less : Allowance for impaired financing At amortised cost	1,918,941	317,223	3,563	14,546,796	184,878	48,648	342	240,256	76,757	17,504	18,307,306
- Stage 1 - 12 Months ECL	(2,110)	(740)	(36)	(90,064)	(212)	(342)	(4)	(616)	-	(155)	(94,984)
- Stage 2 - Lifetime ECL not credit impaired	(2,669)	(42)	(400)	(4,850)	(177)	(8)	-	(4)	-	-	(8,561)
- Stage 3 - Lifetime ECL credit impaired	(16,858)	(1,582)	(45)	(67,349)	-	(43)	-	-	-	(255)	(87,944)
Total net financing	1,897,304	314,859	3,082	14,384,533	184,489	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 RM668,107,003 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	Bai' Bithaman Ajil		Ijarah Thumma Al-Bai		Bai' Al-Dayn		Murabahah		Istisna'		Qard		Kafalah Munaqisah		Sirkah		Rahtu (Qard)		Total financing	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019	-	-	4,164	300,779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	304,943
Cash line	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
At-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
Less : Allowance for impaired financing	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								
At amortised cost	(930)	(623)	(76)	(45,410)	(150)	(840)	(148)	-	-	-	(3,165)	(51,342)								
- Stage 1 - 12 Months ECL	(2,664)	(62)	(76)	(10,473)	-	(482)	(9)	-	-	-	-	(13,766)								
- Stage 2 - Lifetime ECL not credit impaired	(16,985)	(1,938)	(228)	(59,261)	-	(7,715)	(71)	-	-	-	(536)	(86,734)								
- Stage 3 - Lifetime ECL credit impaired	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								
Total net financing																				

* 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	Bai' Ijarah Thumma Aji		Inah RM/000	Tawarruq RM/000	Bai' Murabahah		Qard RM/000	Murabahah to the Purchase Orderer RM/000	Rahmu (Qard) RM/000	Total financing RM/000
	Bithaman Aji RM/000	Al-Bai RM/000			Al-Dayn RM/000	Isfina' RM/000				
31 December 2020										
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-Rahmu	-	-	-	287,032	-	-	-	-	17,504	304,536
Total gross financing ^	1,918,941	317,223	3,563	14,455,683	184,878	952,398	71,484	240,256	17,504	18,210,578
Fair value changes arising from fair value hedge	-	-	-	91,113	-	-	-	-	-	91,113
Less : Allowance for impaired financing										
At amortised cost										
- Stage 1 - 12 Months ECL	(2,110)	(740)	(36)	(90,064)	(212)	(705)	(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)	(1,382)	(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	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	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	Isfina' RM'000	Qard RM'000	Kafalah RM'000	Rahnu (Qard) RM'000	Total financing RM'000
31 December 2019											
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
Less : Allowance for impaired financing	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
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	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	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	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	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
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
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

	On-balance sheet (net of impairment)		Financing of customers Undrawn (off-balance sheet)		Total exposures	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	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	81,136
	1,088,023	964,087	118,998	111,967	1,207,021	1,076,054

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
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
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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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

	31 December 2020 RM'000	Group 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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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

NOTES TO THE FINANCIAL STATEMENTS
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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

NOTES TO THE FINANCIAL STATEMENTS

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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

	Note	Group	
		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

	Note	Bank	
		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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31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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 regulatory 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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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
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	<=====Remuneration received from the Group=====>					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
31 December 2020						
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	<===== Remuneration received from the Group =====>					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
31 December 2019						
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	Total risk equivalent amount RM'000	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

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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	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, 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
31 December 2020								
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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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	Government and statutory bodies RM'000	Finance, 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
31 December 2019								
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, lakaful 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 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	-
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		Past due but not impaired	Impaired financing	Total
	Good RM'000	Satisfactory RM'000	RM'000	RM'000	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		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory 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		Past due but not impaired	Impaired financing	Total
	Good RM'000	Satisfactory RM'000	RM'000	RM'000	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.)

Bank 31 December 2019	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory 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			Financial investments at FVOCI		
	Non-Money Market Instruments - Debt Securities			Non-Money Market Instruments - Debt Securities		
	Domestic Ratings RM'000	International Total RM'000	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			Financial investments at FVOCI		
	Non-Money Market Instruments - Debt Securities			Non-Money Market Instruments - Debt Securities		
	Domestic Ratings RM'000	International 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 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	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	147,089	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	Up to 1 month	>1-3 months	>3-12 months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over 5 years	Non-profit sensitive	Trading books	Total	Effective profit rate %
31 December 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
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	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 %
31 December 2019	770,935	-	-	-	-	-	-	-	240,290	-	1,011,225	3.0%
ASSETS												
Cash and short-term funds												
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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31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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 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)	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	-	-	-	-	-	-	-	-	428,569	-	428,569	-
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	147,089	25,765,359	

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31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (16 JAMADIL AWAL 1442H)

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.

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.)

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:

Increase/(decrease) in basis points	Group		Bank	
	-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							Total 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
Assets										
Cash and short-term funds with financial institutions	2,732,231	176,551	428	661	9,822	1,164	5,503	3,457	3,355	2,933,172
Financial investments designated at fair value through profit and loss	10,392	20,025	-	-	-	-	-	-	-	30,417
Financial assets at fair value through other comprehensive income	148,085	165,252	-	-	-	-	-	-	-	313,337
Financial assets at amortised cost	3,798,964	-	-	-	-	-	-	-	-	3,798,964
Islamic derivative financial assets	105,544	-	-	-	-	-	-	-	-	105,544
Financing of customers	47,820	-	-	-	-	-	-	-	-	47,820
Other assets	18,056,919	58,896	-	-	-	-	-	-	-	18,115,815
Statutory deposits with Bank Negara Malaysia	113,170	3	-	-	-	-	-	-	-	113,173
Investment properties	95,255	-	-	-	-	-	-	-	-	95,255
Right-of-use assets	55,890	-	-	-	-	-	-	-	-	55,890
Intangible assets	37,702	45	-	-	-	-	-	-	-	37,747
Property, plant and equipment	65,192	-	-	-	-	-	-	-	-	65,192
Deferred tax assets	55,192	-	-	-	-	-	-	-	-	55,192
	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	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
31 December 2020										
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	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
31 December 2019										
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	20,365,592
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	RM'000	RM'000	RM'000
	1%	1%	1%	1%
	appreciation	depreciation	appreciation	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 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 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

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.)

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

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.)

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:

Group	Deposits from customers						Total RM'000
	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	
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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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	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
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	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	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
31 December 2019				
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	Quoted Market Price Level 1 RM'000	Valuation technique using:		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 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

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:

Group and Bank	Gross amount of recognised financial assets/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 not set off in the statement of financial position		
				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:

- 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
- cash or securities are received or cash pledged in respect of the transaction described above.

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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		
<u>Tier-I capital</u>		
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
<u>Tier-II capital</u>		
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		
<u>Tier-I capital</u>		
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
<u>Tier-II capital</u>		
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
<u>Ratio (%)</u>		
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

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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 Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	31 December 2019 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 relevant 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

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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

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BASEL II

PILLAR 3 DISCLOSURE

ABBREVIATIONS

ALCO	Asset-Liability Management Committee	IFSB-10	Institutions Offering Islamic Financial Services
ALM	Asset and Liability Management	IPRS	Islamic Profit Rate Swap
BCM	Business Continuity Management	IRB Approach	Internal Ratings Based Approach
BCP	Business Continuity Plan	MFRS 9	Malaysian Financial Reporting Standards
BIA	Business Impact Analysis	MARC	Malaysian Rating Corporation Berhad
BOD	Board of Director	MDB	Multilateral Development Bank
BNM	Bank Negara Malaysia	MISB	Muamalat Invest Sdn Bhd
BRMC	Board Risk Management Committee	MR	Market Risk
BU	Business Unit	OR	Operational Risk
CAFIB	Capital Adequacy Framework for Islamic Banks	ORM	Operational Risk Management
CBs	Corporate Bonds	ORMC	Operational Risk Management Committee
CC	Credit Committee	PDS	Private Debt Securities
CCR	Counterparty Credit Risk	PSEs	Non- Federal Government Public Sector Entities
CEO	Chief Executive Officer	RA	Risk Assessment
CPs	Commercial Papers	R&I	Rating and Investment Information, Inc
CR	Credit Risk	RAM	RAM Rating Services Berhad
CRP	Credit Risk Policy	RORBB	Rate of Return Risk in Banking Book
CRM	Credit Risk Mitigation	RMD	Risk Management Department
CSRD	Credit Supervision and Recovery Department	RWA	Risk Weighted Assets
EAR	Earning At Risk	RWCAF	Risk Weighted Capital Adequacy Framework
ECAI	External Credit Assessment Institutions	TBPS	Trading Book Policy Statement
ERMC	Executive Risk Management Committee	S&P	Standard and Poor's
EVE	Economic Value Perspective	SC	Shariah Committee
FDI	Foreign Direct Investments	SNCI	Shariah Non-Compliance Income
GCRP	Guidelines to Credit Risk Policies	SRP	Shariah Review Program
IC	Investment Committee	SU	Support Unit
ICAAP	Internal Capital Adequacy Assessment Process	VaR	Value at Risk
IFIs	Islamic Financial Institutions		

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.

**BASEL II
PILLAR 3 DISCLOSURE****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).

**BASEL II
PILLAR 3 DISCLOSURE****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.

BASEL II PILLAR 3 DISCLOSURE

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	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2019				
(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 Weighted 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 Weighted 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

BASEL II PILLAR 3 DISCLOSURE

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 Weighted 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

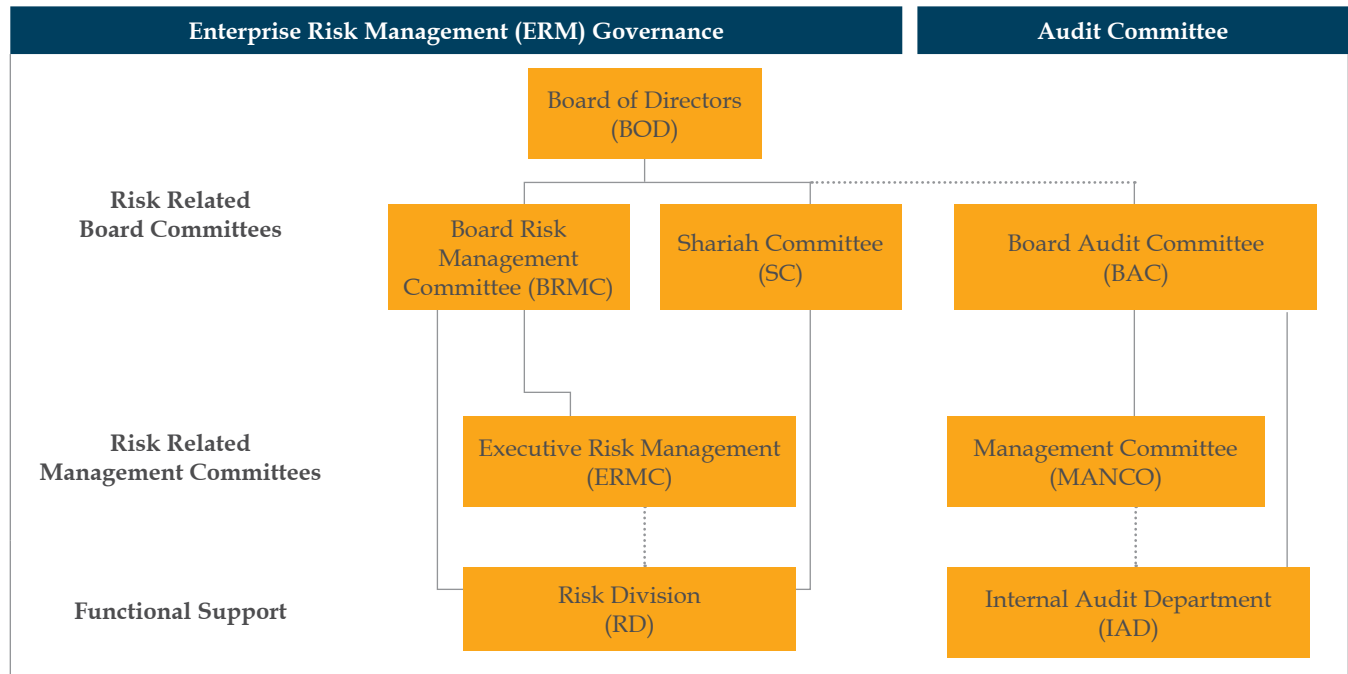
Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed. The Bank's risk management framework and structure are built on formal governance 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



BASEL II PILLAR 3 DISCLOSURE

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	<ul style="list-style-type: none"> • Risks are directly undertaken and assumed in the day-to-day business activities and operations. • As front-liners, 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 Defense Modal Risk Management & Control Compliance	<ul style="list-style-type: none"> • 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 various key indicators and reports, guided by established risk appetite and tolerance limits.
Third Line Defense Modal Internal Audit	<ul style="list-style-type: none"> • Provides independent review and assurance on adequacy of risk management processes and effectiveness of the first two lines of defence in fulfilling 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.

BASEL II PILLAR 3 DISCLOSURE

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 ERMCM 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

BASEL II PILLAR 3 DISCLOSURE

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 institution	-	-	-	-	-	-	-	-
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

BASEL II PILLAR 3 DISCLOSURE

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 institution	-	-	-	-	-	-	-	-
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:

31 December 2020	Group		Bank	
	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

BASEL II PILLAR 3 DISCLOSURE

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:

31 December 2019	Group		Bank	
	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 institution	-	-	-	-
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

BASEL II PILLAR 3 DISCLOSURE

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.

BASEL II PILLAR 3 DISCLOSURE

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 Good RM'000	nor impaired 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		Past due but not impaired	Impaired financing	Total RM'000
	Good RM'000	Satisfactory 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
- 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

BASEL II PILLAR 3 DISCLOSURE

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 Good RM'000	nor impaired 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		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory 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

BASEL II 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							Total Impairment Allowances for Financing RM'000
	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		
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	

BASEL II PILLAR 3 DISCLOSURE

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)

Group	31 December 2019							Total Impairment Allowances for Financing RM'000
	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		
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	-	-	-	-	-	1,626	1,626	
Construction	-	-	-	-	-	-	-	
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.

Bank	31 December 2020							Total Impairment Allowances for Financing RM'000
	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		
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	

BASEL II PILLAR 3 DISCLOSURE

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)

Bank	31 December 2019						Total Impairment Allowances for Financing RM'000
	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	
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.

Group	31 December 2020						Total Impairment Allowances for Financing RM'000
	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	
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

Group	31 December 2019						Total Impairment Allowances for Financing RM'000
	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	
Domestic	209,166	-	1,190	-	26,735	125,107	151,842
Labuan offshore	-	-	-	-	-	-	-
	209,166	-	1,190	-	26,735	125,107	151,842

BASEL II PILLAR 3 DISCLOSURE

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.

Bank	31 December 2020						Total Impairment Allowances for Financing RM'000
	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	
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

Bank	31 December 2019						Total Impairment Allowances for Financing RM'000
	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	
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 an 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.

BASEL II PILLAR 3 DISCLOSURE

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	Rating by Approved ECAIS						Unrated RM'000	Others RM'000	Grand Total RM'000
		AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB 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									
	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	-	178,581	9	480,840
	Corporates	1,544,963	5,187	130,374	58,109	380,785	103,162	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	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 ECALS					Unrated RM'000	Others RM'000	Grand Total RM'000			
		AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000				BBB RM'000	BB+ TO BB- RM'000	PI/MARCI RM'000
	<u>On and Off Balance-Sheet Exposures</u>											
	<u>Credit Exposures</u>											
	- 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	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	19,255,558	-	27,048,371			
	<u>Bank</u>											
	31 December 2019											
	Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ TO BB- RM'000	PI/MARCI RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
	<u>On and Off Balance-Sheet Exposures</u>											
	<u>Credit Exposures</u>											
	- 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

BASEL II PILLAR 3 DISCLOSURE

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D)

Table 16: Rating distribution on credit exposures (cont'd)

Exposure Class	Moody's S&P Fitch RAM MARC RII Inc	Ratings of Corporate by Approved ECAs						Unrated Unrated Unrated Unrated Unrated Unrated RM'000
		Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D B+ to D	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	864,180	293,375	105,544	-	-	-	6,280,894	
Corporates								
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	1,952,769	380,785	103,162	-	-	-	4,419,393	
Corporates								
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)

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs							Unrated
	Moody's	P-1	P-2	P-3	Others	Unrated	Unrated	
	S&P	A-1	A-2	A-3	Others			
	Fitch	F1+,F1	2	3	B to D			
	RAM	P-1	P-2	P-3	NP			
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4			
	RII Inc	a-1+a-1	a-2	a-3	b,c			
		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		-	-	-	-	-	-	
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	-	-	-	-	-	

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										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	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		
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	382,127
35%	-	-	-	-	-	3,732,543	-	-	-	3,732,543	1,306,390	1,306,390
50%	-	-	101,944	606,308	1,626	600,357	-	-	-	1,310,235	655,118	655,118
75%	-	-	-	-	2,924,445	16,733	-	-	-	2,941,178	2,205,884	2,205,884
100%	-	-	-	5,565,460	4,315,795	326,647	-	-	304,027	10,511,929	10,511,929	10,511,929
150%	-	-	-	5,615	6,353	120	-	1,105	-	13,193	19,790	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	15,081,238
31 December 2019 Group												
Risk-Weights												
0%	5,783,743	-	-	-	-	-	-	-	118,709	5,902,452	-	-
20%	-	266,284	382,644	1,169,620	-	-	-	-	-	1,818,548	363,710	363,710
35%	-	-	-	-	-	3,110,625	-	-	-	3,110,625	1,088,719	1,088,719
50%	-	-	98,196	581,703	2,667	513,050	-	-	-	1,195,616	597,808	597,808
75%	-	-	-	-	3,163,608	11,643	-	-	-	3,175,251	2,381,439	2,381,439
100%	-	-	-	4,977,361	3,214,321	185,353	-	-	215,264	8,592,299	8,592,299	8,592,299
150%	-	-	-	33,167	10,430	-	-	-	-	43,597	65,394	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	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)

Bank	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	31 December 2020	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		
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	
Bank	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
31 December 2019	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			
Risk-Weights												
0%	5,783,743	-	-	-	-	-	-	-	118,709	5,902,452	-	-
20%	-	266,284	382,644	1,169,620	-	-	-	-	-	1,818,548	363,710	363,710
35%	-	-	-	-	-	3,110,625	-	-	-	3,110,625	1,088,719	1,088,719
50%	-	-	98,196	581,703	2,667	513,050	-	-	-	1,195,616	597,808	597,808
75%	-	-	-	4,974,936	3,163,608	11,643	-	-	-	3,175,251	2,381,439	2,381,439
100%	-	-	-	29,271	3,214,321	185,353	-	-	207,688	8,582,298	8,582,297	8,582,297
150%	-	-	-	-	10,430	-	-	-	-	39,701	59,551	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	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
31 December 2019			
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

The commitments and contingencies constitute the following:	Group and Bank					
	31 December 2020			31 December 2019		
	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)

Group and Bank	31 December 2020			31 December 2019		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities 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	-	-	-	-	-	-
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)

BASEL II PILLAR 3 DISCLOSURE

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)

Group and Bank	31 December 2020			31 December 2019		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities 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 ERM, 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.

**BASEL II
PILLAR 3 DISCLOSURE****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

**BASEL II
PILLAR 3 DISCLOSURE****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.

BASEL II PILLAR 3 DISCLOSURE

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:

Increase/(decrease) in basis points	Group		Bank	
	-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.

**BASEL II
PILLAR 3 DISCLOSURE****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:

Contingency 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 Contingency 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 Implementation - 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	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	6,746	20,059	7,580	12,516	919	-	105,544	105,544
Islamic derivative financial assets	59,498	665,038	1,286,412	1,121,802	1,898,467	6,046,320	7,038,278	18,115,815
Financing of customers	-	646	-	-	112,027	38,598	271,529	422,800
Other assets	-	-	-	-	-	-	-	-
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	94,346	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	6,746	20,059	7,580	12,516	919	-	105,544	105,544
Islamic derivative financial assets	59,498	665,038	1,286,412	1,121,802	1,898,467	6,046,320	7,032,662	18,110,199
Financing of customers	3	646	-	-	111,198	32,088	284,438	428,373
Other assets	-	-	-	-	-	-	-	-
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

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)

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	192	6,639	3,106	11,922	-	-	103,162	103,162
Islamic derivative financial assets	49,192	623,981	1,155,182	1,049,727	1,560,184	5,155,269	6,263,808	15,857,342
Financing of customers	(53)	1,381	-	-	38,851	55,317	773,481	868,979
Other assets								
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 framework.

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

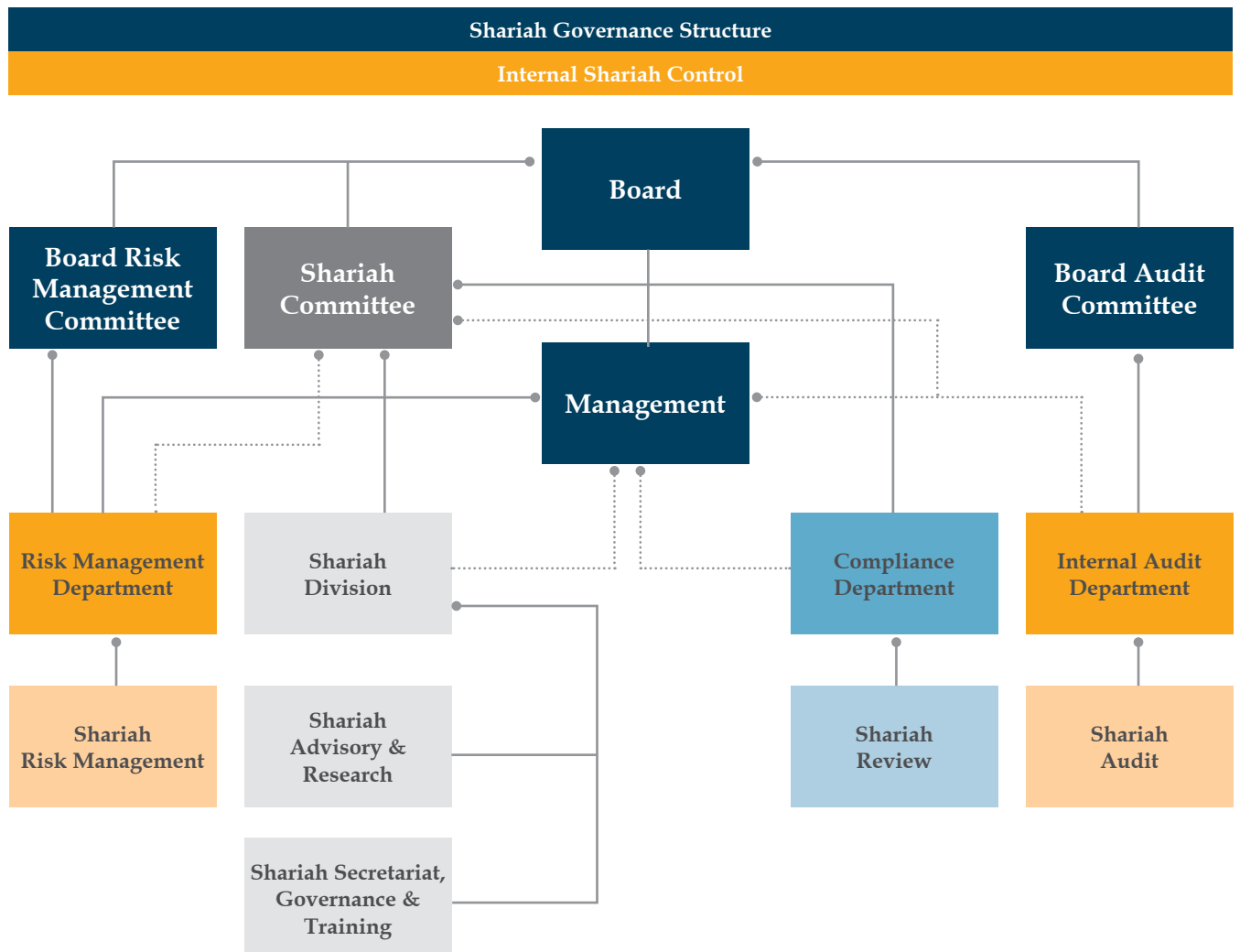
Internal Shariah Control

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

Jalan Melaka

Menara Bumiputra,
Jalan Melaka PO Box 10407,
50913 W.P Kuala Lumpur
Fax: +603-2031 4231

Jalan Ipoh

Ground Floor, Wisma TCT,
No. 516-1,
Batu 3, Jalan Ipoh,
51200 Kuala Lumpur
Fax: +603-4043 1467

Sungai Besi

No. 2 & 2A, Jalan Tasik Utama 7,
Medan Niaga Tasik Damai,
Sungai Besi,
57000 Kuala Lumpur
Fax: +603-9058 7067/9058 1476

Jalan TAR

No. 399, Ground Floor,
Bangunan UMNO Lama,
Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur
Fax: +603-2697 8020

Putrajaya

No. 2 & 4, Ground & 1st Floor,
Jalan Diplomatik 2,
Pusat Komersial Diplomatik,
Precinct 15,
62050 Putrajaya
Fax: +603-8889 2053

Taman Melawati

Lot G-3A, B-1-3 & G-05,
Melawati Corporate Office,
Taman Melawati,
53100 Kuala Lumpur
Fax: +603-4161 8467

Alam Damai

No 6,
Jalan Alam Damai 1,
Alam Damai, Cheras,
Kuala Lumpur
Fax: +603-9101 8023

SELANGOR

Bandar Baru Bangi

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

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

No. 2, Jalan Presiden F U1/F,
Accentra Glenmarie,
Seksyen U1,
40150 Shah Alam,
Selangor
Fax: +603-5569 1435

Kajang

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

No. 46 & 48,
Jalan Kelicap 42A/Ku1,
Klang Bandar Diraja,
Off Jalan Meru,
41050 Klang,
Selangor
Fax: +603-3344 4146

Petaling Jaya

No. B-29-1 & 2, Block B, Jaya One,
72A, Jalan Universiti,
46200 Petaling Jaya,
Selangor
Fax: +603-7954 1196/1255

Puncak Alam

No. 31 Jalan Niaga Bestari 3,
Puncak Bestari,
Bandar Puncak Alam,
42300 Selangor
Fax: +603-3393 8014

Rawang

No. 9 & 11,
Jalan Bandar Baru Rawang 1,
Bandar Baru Rawang,
48000 Rawang, Selangor
Fax: +603-6092 1677

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

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 Lanan — 2 — 1
Ground & 1st Floor,
Lot PT 5080, Kompleks Perniagaan
Saidina Ali,
Jalan Kuala Krai, Kok Lanan,
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

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

BRANCH NETWORK
AS AT 31 MAY 2021EAST 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

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

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GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GENERAL DISCLOSURES		
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102-53	Contact point for questions regarding the report	419
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