



# WITH YOU IN MIND

IMPACT-DRIVEN FINANCING

ANNUAL INTEGRATED REPORT 2020

## ABOUT US

Incorporated in 1973, Bank Pembangunan Malaysia Berhad (BPMB) is one of Malaysia's first Development Financial Institutions (DFIs) and is wholly owned by the Malaysian Government through the Minister of Finance (Incorporated). The Bank's focus has evolved from supporting Malaysia's early developmental needs to one of creating meaningful and sustainable impact for Malaysia.

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### ABOUT THIS REPORT

This report is prepared using the Integrated Reporting Framework to demonstrate how the Bank creates and sustains value over time. The report illustrates the Bank's management of and the interaction between its financial and non-financial capitals, against stakeholder and external environment considerations. The report adheres to Bank Negara Malaysia's policies for DFIs including but not limited to Financial Reporting for DFIs, Corporate Strategic Plan, Shariah Governance and Corporate Governance. The financial reporting is aligned with Malaysian and international guidelines and recommendations.

### PURPOSE, VISION, MISSION

**Purpose:** Developing a sustainable and inclusive Malaysia

**Vision:** Malaysia's leading developmental partner

**Mission:** Impactful delivery with strategic outcomes



**WITH  
YOU  
IN  
MIND**

I WILL SPEAK AND SEE THE TRUTH  
I WILL SEEK KNOWLEDGE TO REMAIN RELEVANT

### IMPACT-DRIVEN FINANCING

For close to five decades, BPMB has supported Malaysia's nascent infrastructure and industries, creating vibrant new industries and economic opportunities for millions of Malaysians. Evolving with the nation's progress, BPMB has shifted gears from being a provider of development finance to a catalyst for a new economy. Today, BPMB is focused on creating meaningful and sustainable impact for the economy, society and environment to support Malaysia's development needs now and for generations to come.

# WITH THE NATION IN MIND

## MIND framework



Under the MIND framework, transactions are assessed using a set of 32 indicators capturing financial efficiency as well as social and environmental information, and subsequently plotting them into priority quadrants based on their scores. To date, 44 projects have been evaluated using the MIND framework.

## Delivering positive impact for...

### The economy

**9**  
No. of approved projects captured under MIND Prioritisation model since March 2020

**4**  
No. of projects in underserved / unserved areas\*

**7**  
No. of projects identified as a national priority area



### The environment

**2,628,000**  
Total clean energy generated per year (in MWh)



### The society

**3,762**  
Total permanent jobs created (#)

**6,633**  
Average household income based on project location (RM)

**277,748**  
Direct beneficiaries per day (#)

**5**  
No. of projects above the SEI score threshold

**988**  
No. of affordable homes / workers' quarters built (units)



Through the MIND framework, the Bank delivers positive impact for the economy, environment and society. The impact created dovetails effectively with the Bank's five focus Sustainable Development Goals, enabling BPMB to deliver on our commitment to the global sustainable development initiative as we focus on driving national development.

## 2020

### Our progress and plans

- MIND framework was launched and implemented
- Seven awareness sessions were organised across internal business functions to embed understanding of the MIND framework

## 2021

- Sharing knowledge with external entities such as the United Nations Global Compact, EPF, Sunway Group, and UKM to further calibrate the framework

## 2022

- Continued focus on launching the MIND framework to other DFIs, which has been delayed due to MCO restrictions

# GROUP AT A GLANCE

In fulfilling our mandate as a Development Financial Institution (DFI), BPMB has aligned our organisational culture, business processes and talent towards developing a sustainable and inclusive Malaysia. This section summarises how our strategic plan is operationalised to achieve our objectives.

**PURPOSE** Developing a Sustainable and Inclusive Malaysia

**VISION**

Malaysia's leading developmental partner

**What we do**

BPMB is one of Malaysia's pioneer and key DFIs. We keenly pursue development projects closely aligned with the national growth agenda, to finance projects that generate sustainable outcomes and positively impact the community and the environment.

See more: President/Group Chief Executive Officer's Statement pages 8 to 13

**MISSION**

Impactful delivery with strategic outcomes

**How we create value**

To differentiate ourselves from other DFIs, BPMB focuses on our strong governance, internal culture and commitment to sustainability to add value to our stakeholders.

Our ecosystem of sound financial resources	Dedicated schemes we create	Transforming funds into value		Impact we create
Our Sources of Funding—Pool of Both Internal and External Funds	Government Dedicated Schemes—Interest/Finance Income and Cost Differential Subsidies	Our Resources	Our Strategic Thrusts	Contribution to sustainable development

**OUR DIFFERENTIATING FACTORS** ➤ GOVERNANCE | CULTURE | COMMITMENT TO SUSTAINABILITY

See more: Our Value Creating Business Model pages 16 and 17

**CORE VALUES**

**Back-to-Basic Principles**

  
 I am worthy of your trust

  
 I will speak and seek the truth

  
 I will seek knowledge to remain relevant

  
 I will not let you down

**An impact-driven culture**

We promote a set of Back-to-Basic Principles that is the bedrock of our organisational culture. When the entire workforce embraces this impact-driven mindset, we can achieve our vision and deliver our mission more expeditiously.

See more: Chairman's Statement pages 6 to 7

**Pro-active risk management**

The Board maintains a disciplined oversight with clear Senior Management supervision and detailed processes to monitor, manage and pre-empt tangible and intangible risks.

See more: Group Risk Management pages 62 to 73

**Committed to governance excellence**

The Board is committed to good corporate governance as a fundamental and transparent process that contributes towards achieving fair and sustainable long-term value for all stakeholders, while upholding the Bank's status and reputation as one of Malaysia's first and premier DFIs.

See more: Statement of Corporate Governance pages 42 to 55

**STRATEGIC THRUSTS**

**1**

Embracing Paradigm Shift

**2**

Supporting Government's Strategic Priority Areas

**3**

Adhering to Islamic Principles

**Our value-based strategies and enablers**

The three strategic thrusts define the direction the organisation is moving towards. To enable the staff to achieve the objectives, we enhanced the processes and strengthened capacity through targeted training.

See more: Our Strategic Transformation Plan pages 18 to 19

**Creating meaningful impact**

Despite the adverse impact from COVID-19 pandemic, strengthening our financials empowers us to continue being the banker of choice for future projects of national significance and benefit.

Total Assets	Return on Assets
23,476 RM MIL (FY2020)	FY2020: 0.44%
24,663 RM MIL (FY2019)	FY2019: 1.02%

See more: Financial Performance pages 24 to 27

A focus on impact creating metrics ensures that we prioritise projects that contribute to national development.

Financing to the Unserved and Underserved Segments	Private Investment Crowd-In
FY2020: 19.55%	FY2020: 3.38 TIMES
FY2019: 20.17%	FY2019: 7.25%

See more: Non-Financial Performance pages 28 to 29

## CHAIRMAN'S STATEMENT



**“I am grateful and honoured for the opportunity to take on this new role in BPMB and bring to bear the 29 years of experience I have in the financial industry. Leveraging on the Bank’s history and with the support of management and staff as well as fellow Board Members, I hope to steer this Bank to greater heights.”**

### Dear Stakeholders,

Before I present to you the Annual Integrated Report 2020 (AIR 2020), I would like to express my gratitude to the Board of Directors (the Board) of Bank Pembangunan Malaysia Berhad (BPMB) for my appointment as the Chairman of the Bank. It is a great honour and privilege for me to undertake this role which was previously held by Y.Bhg. Datuk Zaiton Mohd Hassan.

I would also like to take this opportunity to commend Datuk Zaiton for the dedication, passion, and enthusiasm she brought to BPMB. Under her leadership, the Bank introduced several new initiatives such as the implementation of the Bank’s core values, Integrated Reporting, and the Measuring Impact on National Development (MIND) framework. On behalf of BPMB, I would like to extend our deepest appreciation to Datuk Zaiton for her professionalism and commitment throughout her tenure as the Bank’s Chairperson.

On behalf of the Board, I am pleased to present to you BPMB’s second AIR, for the financial year ended 31 December 2020 (FY2020).

### SUPPORTING NATIONAL DEVELOPMENT

Incorporated in 1973, BPMB was mandated to support Malaysia’s economic development. Today, BPMB stands proud as a key development financial institution which provides medium to long-term financing in sectors of strategic importance to the nation. The Bank places particular focus on sustainable and impact financing, by channelling capital to address social issues and developmental priorities whilst promoting socio-economic growth.

I am grateful and honoured for the opportunity to take on this new role in BPMB and bring to bear the 29 years of experience I have in the financial industry. Leveraging on the Bank’s history and with the support of management and staff as well as fellow Board Members, I hope to steer this Bank to greater heights.

BPMB will contribute to the nation’s progress by anchoring our focus on three strategic themes – Sustainability, Inclusivity and Digitalisation. We will deliver economically viable financial solutions with sustainable impact to our corporate customers, in line with the Bank’s Strategic Transformation Plan which advocates a mind-set shift in how we deliver value for Malaysia’s developmental needs.

### CATALYSING CHANGE AND STRENGTHENING GOVERNANCE

As has been made known in the public domain, the Government has aspirations to expand BPMB via mergers with other financial institutions

with developmental mandates. It is an exciting thought, but we must ensure that these mergers only occur if the combination of entities can be a well-managed institution that can fulfil our stakeholders’ aspirations.

Meanwhile, we remain focused on making today’s BPMB better and stronger. To that end, the management team is enhancing processes and procedures within the Bank, while ensuring integrity, commitment and dedication continue to undergird our efforts. I have informed staff that one of the most important parts of my role is to make sure that when they look up in the organisation, they only see leadership that they can trust and a corporate mission that they can believe in.

### 2021

We anticipate another challenging year ahead with the pandemic expected to continue costing lives and impairing livelihoods for most of 2021. We will continue to adopt the safest work practices for our staff, be as understanding as we can to help our customers through these extraordinary times and step forward to assist the Government as it expands its role to mitigate the debilitating effects of COVID-19 on our economy and society.

**NAZIR RAZAK**  
*Chairman*

**“BPMB will contribute to the nation’s progress by anchoring our focus on three strategic themes – Sustainability, Inclusivity and Digitalisation.”**



BPMB’s focus has evolved from a mandate of supporting Malaysia’s early developmental needs to one of creating meaningful and sustainable impact for the nation.

## PRESIDENT/ GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT



**“As the financial sophistication of the nation continues to advance, it was evident that we need to transform ourselves to realise our vision to be Malaysia’s Leading Developmental Partner. No longer can we be content with servicing only our traditional sectors as commercial financial institutions are now sufficiently capable of providing the same financial solutions that we had focused on in the past.”**

**ARSHAD MOHAMED ISMAIL**  
PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER

### OVERVIEW

#### Dear Valued Stakeholders,

First of all, I would like to extend my greatest appreciation to our outgoing Chairman, Y. Bhg. Datuk Zaiton Mohd Hassan, who retired from her position on 18 February 2021. During her two years with BPMB as Chairman of the Board of Directors, she has been a wonderful role model, driving us to excellence in thought and conduct. I am immensely grateful for Datuk Zaiton's professionalism and integrity in discharging her duties and responsibilities as Chairman and BPMB has benefited immeasurably as a result.

At the same time, I would like to extend my warmest welcome to our new Chairman, Y. Bhg. Dato' Sri Nazir Razak, formally appointed on 22 April 2021. His vast experience in banking and finance is known to many and will indeed be a significant asset to BPMB as we continue on our nation-building journey in the years to come. I look forward to working closely with him as we bring BPMB to new heights.

Many of us would agree that 2020 was truly a year full of uncertainty, surprises and challenges. A once-in-a-lifetime global pandemic in COVID-19 has put the global economy and the lives of billions in disarray with national lockdowns imposed to help curb its spread and protect the public. The results have been quite clear in recent months. Malaysia's real Gross Domestic Product for 2020 contracted by 5.6% year-on-year, surpassing the official projection of 4.5%. Almost all sectors of the economy have been adversely affected, with the hardest-hit sectors being tourism, aviation, and recreation-led activities.

BPMB was not spared the effects of the pandemic. Work-from-home arrangements had to be planned and prepared for in a short amount of time while we adjusted to the new normal. New and emerging risks from the pandemic continue to be identified and the appropriate mitigation measures are devised and adopted in response to these threats. Being able to adapt to the rapidly changing circumstances of the situation is crucial for us to carry

out our developmental role, which has become ever more critical in these turbulent times.

### FINANCIAL PERFORMANCE

It cannot be denied that our financial performance has been adversely affected by the pandemic. The BPMB Group recorded a net profit of RM107.1 million for the financial year 2020, which is a decrease of 57% from RM251.6 million for the financial year 2019. This is primarily as a result of larger allowances for impairment losses on our loans, financing and advances, which has increased by about 7 times attributed to the pandemic's effects on the economy and the financial health of our customers. Much of this allowance was for the construction sector and the hotel industry within the BPMB Group financing portfolio, with these two sectors contributing almost 75% of our total impairment allowance for 2020. Similarly at the Bank level, we recorded a decrease in our net profit to RM100.8 million, which represents a 68% decrease from a year ago.

As a result of the fall in the Group's net profits for the year, the Earning per Share also fell to 3.48 sen per share in 2020 from 8.18 sen per share in 2019. This is the lowest figure since 2016.

Despite these challenging times, however, I am pleased to report that BPMB has achieved a 2.54% growth in our financing portfolio for the year, increasing our portfolio size to RM18.5 billion and the first growth since 2016. This is mainly attributed to higher disbursements from existing and new financings.

In 2020, we undertook an exercise to redeem our borrowings totalling RM1.2 billion with the Employees Provident Fund (EPF) ahead of schedule. This was done to reduce BPMB's Conventional liabilities as part of an effort to become a Full-Fledged Islamic Development Financial Institution and generate net finance expense savings. Consequently, this exercise has led to a drop in the Group's total liabilities to RM15.5 billion in 2020, which represents a 7.5% decrease compared to last year while overhead expenses also saw a slight dip to RM107.1 million in 2020 from RM113.5 million in 2019. In addition,

the Group's Gross Impaired Financing ratio (GIF) has also shown a marked improvement to 11.3% in 2020 compared to 12.2% in 2019 due to a larger financing base as a result of the growth in our financing portfolio.

In addition, the improved GIF was also contributed by a lower amount of impaired financing due to no new impairments during the year and increased recoveries from existing impaired financings. The Group's Cost to Income Ratio (CIR), excluding a one-off borrowing redemption cost, has remained low compared to our peers while also seeing a reduction to 9.4% from 16.5% a year ago. This decrease was mainly the result of a net compensation of RM134.6 million in Government compensation derived from the Infrastructure Support Fund that has boosted our net income as well as lower financing expenses upon early redemption of our EPF borrowings.

### NON-FINANCIAL PERFORMANCE

When discussing development finance, one significant challenge is being able to systematically measure the non-financial impact from the operations of a Development Financial Institution (DFI). At BPMB, we realised that there was a need for us to properly understand and measure the non-financial impact of our business as this represents the very foundation for our existence. Therefore, BPMB has adopted a performance framework that *inter alia* measures non-financial indicators to quantify the socio-economic impact arising from BPMB's operations.

The framework measures BPMB's non-financial performance through two components, which are additionalities as well as social cost and benefit. Under the first component of additionalities, BPMB has managed to achieve all but one of the four indicators for 2020. We approved six applications for green financing with a total financing size of RM691.3 million compared to a target of RM400.0 million, improved 41 of our customers' income compared to a target of 22 and achieved a crowd-in private investment ratio of 3.38 times, indicating that for every RM1 contributed by BPMB in a

financing deal, private sector financiers or investors have contributed RM3.38. The one indicator that we did not meet based on our target for the year was financing to unserved and underserved segments. Within the year, only 19.6% of our financing exposure is in less developed regions, primarily areas outside of Kuala Lumpur, Putrajaya, Selangor, Penang and Johor as compared to our target of 20.0%. We will continue to ensure that our efforts benefit the underserved and unserved segments as these groups remain central to BPMB's mission as a DFI.

Further to the above, there are three indicators under the social cost and benefit component, which are the Output Index (OI), Subsidy Dependence Index (SDI) and the Net Subsidy Cost (NSC). BPMB has managed to keep its OI at 0.56 for 2020, which remains the same as in 2019. An OI of less than 1 indicates that BPMB's development activities have a broader outreach towards targeted segments. The SDI, however, increased to 12.1% this year from -15.1%, indicating BPMB had a higher reliance on government subsidies in 2020. On a positive note, BPMB recorded a NSC of RM73.8 million in 2020, which was lower than the net subsidy received of RM132.8 million for the same year. This indicates that the subsidies received have an effective reach towards targeted segments, implying a lower cost to society.

### 3-YEAR STRATEGIC TRANSFORMATION PLAN (STP) 2020 – 2022

Our 3-year Strategic Transformation Plan, which we embarked upon in early 2020, made us dig deep and ask ourselves some hard questions. How can we remain relevant in the face of Malaysia's evolving development needs? As the financial sophistication of the nation continues to advance, it was evident that we need to transform ourselves to realise our vision to be Malaysia's Leading Developmental Partner. No longer can we be content with servicing only our traditional sectors as commercial financial institutions are now sufficiently capable of providing the same financial solutions that we had focused on in the past.

## PRESIDENT/ GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

BPMB will therefore seek to evolve beyond our traditional sectors and align our developmental efforts with the Government's initiatives and global megatrends, effectively becoming sector agnostic in playing our developmental role. With our renewed focus on sustainable and impact financing, our mission today is Impactful Delivery with Strategic Outcomes. This evolution in our focus naturally necessitates a major change in how we do business and the mind-set of our people.

It is my pleasure to report that progress towards the completion of our STP has been excellent thus far. We have accomplished all of our targeted milestones for the year 2020. Under the STP, we have identified three strategic thrusts to drive the desired transformation of BPMB. I detail each thrust and our achievements for 2020 as follows.

### STP Thrust 1: Embracing the Paradigm Shift

We aim to guide the future direction of BPMB by focusing on seven paradigm shifts in the areas of focus, posture, mind-set, tools, relationship, people and stakeholders. The initiatives we have undertaken under this thrust include, but are not limited to the following:

- Submission of three national policy proposals as part of the National Budget 2021, which were subsequently announced in November 2020. We expect this to be beneficial in assisting the Government with national policy formulation and implementation;
- Signing of Memoranda of Understanding with *Kumpulan Modal Perdana* and Malaysian Technology Development Corporation. These collaborations aim to seek avenues of mutual cooperation in the development of and investment in high impact technologies and renewable energy between BPMB and our industry partners;
- Becoming a member of the United Nations Environment

Programme – Finance Initiative (UNEP-FI). This membership is expected to allow us to participate meaningfully in discussions concerning sustainability in the banking and finance universe;

- Establishment of several leadership and executive coaching programmes as described later in my statement to promote success maximisation through a continuous learning process.

Within the next few years, we aim to increase the level of cooperation with our existing and potential strategic partners and continue to involve ourselves in policy formulation with the Government. Despite some challenges that lay ahead of us, I remain confident that we will be able to carry forward our momentum in the timely achievement of our future aspirations under the STP.

### STP Thrust 2: Supporting the Government's Strategic Priority Areas

It is imperative that BPMB, as a DFI is able to support and catalyse the developmental initiatives of the Government in line with our mission. However, for us to understand the effects of our operations, we would need a way to meaningfully measure and quantify the potential developmental outcomes to evaluate the impact of the projects that we finance. For this reason, the Bank started developing our Impact Assessment Framework in 2019, which we now call "Measuring Impact on National Development" or MIND. After rolling out MIND in early 2020 on a pilot basis, we are currently working towards integrating MIND more closely into our present operations.

Jointly developed with the World Bank, MIND enhances the traditional method of project evaluation from a solely credit perspective to a holistic and structured end-to-end assessment across selected Environmental, Social and Governance (ESG) aspects. Using 32 indicators, which will quantify both the financial efficiency of a project as well as its

social, environmental and economic impact, the MIND framework. It will then plot the project's metrics on a two-dimensional matrix on financial and developmental perspectives to further categorise these projects. Projects that score highly across both perspectives will be prioritised by BPMB. MIND's assessment metrics are anchored on five out of the 17 Sustainable Development Goals, which are:

- SDG7 – Affordable and clean energy;
- SDG8 – Decent work and economic growth;
- SDG9 – Industry, Innovation and Infrastructure;
- SDG10 – Reduced inequality; and
- SDG13 – Climate action.

Thus far, the preliminary results of financing deals evaluated under the MIND framework have shown much promise. Approximately 2,600 permanent jobs have been created along with an estimated 270,000 direct beneficiaries per day benefiting from these projects. Several projects assessed under MIND with a focus on renewable energy have also shown results with an estimated 2,628 GWh of clean energy produced in 2020 alone. BPMB will continue to monitor the results of MIND's implementation and make the necessary improvements to it as and when necessary.

### STP Thrust 3: Adhering to Islamic Principles

We recognise that Islamic financial business has significant potential in allowing BPMB to promote sustainability and practice ethical banking based on the principles of Shariah, which prioritises human development and betterment of human life. Furthermore, the Government envisages Malaysia as a global leader in Islamic finance. We as a DFI are working to assist the Government to realise this vision through our array of Shariah-compliant products and solutions. Additionally, the Group remains committed to becoming a Full-Fledged Islamic Development

Financial Institution (FFIDFI) in the near future.

I am delighted to report that the percentage of Islamic assets within our financing portfolio stands at 71.3%, which amounts to RM13.2 billion in absolute terms as at 31 December 2020. This represents an increase of 68.8% from the figure in 2019. BPMB targets to convert another RM3 billion in Conventional assets to be Shariah-compliant by the end of 2021. This will be a clear demonstration of our ability and commitment to encourage and stimulate sustainable development in line with Islamic principles.

Please refer to Our Strategic Transformation Plan from page 18 to 19 for further discussions on the strategic thrusts

### MERGER OF DFIS

Under the National Budget 2020, a restructuring exercise was announced by the Government to merge several DFIs, including BPMB, into a single, larger financial institution. The other entities involved are Danajamin Nasional Berhad (Danajamin), Small and Medium Development Bank Malaysia Berhad (SME Bank) and Export-Import Bank of Malaysia Berhad (EXIM Bank). The purpose of this exercise is to bolster the development finance ecosystem in Malaysia.

As at time of writing, a Steering Committee, led by MOF, has endorsed an initial structure whereby Danajamin will become a wholly-owned subsidiary of BPMB. We will continue to play our role to ensure that the merger is successfully executed.

### GOVERNANCE

The BPMB Group continues to uphold and practice the highest standards of governance expected of us as a DFI. We continuously review our governance structures, and enhancements are made at the earliest opportunity. Our initiatives for the year 2020 are summarised below as follows:

#### Anti-Bribery Management Systems (ABMS)

Bribery is among the key governance risks faced by all organisations, including the BPMB

**“The BPMB Group continues to uphold and practice the highest standards of governance expected of us as a DFI.”**



BPMB continues to support government's aspirations through financing with a stronger emphasis on the social, environmental and economic impact of the projects.

Group. As a single act of bribery, no matter how small, entails major negative implications, we view all potential incidents of bribery and corruption very seriously and adopt a zero-tolerance approach. To assist in our endeavour, we have engaged with Institut Integriti Malaysia and SIRIM Berhad to carry out the following enhancements:

- To develop our Anti-Bribery Management System (ABMS) to prevent, detect and respond to bribery incidents;
- To achieve MS ISO 37001 ABMS certification for the BPMB Group;

We expect to complete both tasks by the end of 2021 as part of our continued efforts against bribery and corruption.

#### Data Governance Framework (DGF)

The Group remains committed to ensuring the highest levels of data integrity and protection are practised within our business. To further improve on this point, BPMB

has established a Data Governance Framework (DGF) in July 2020 that is applied during the data mining, analysis and reporting processes within the Bank. Our DGF aims to achieve the following:

- Establish a sound data governance structure that ensures effective control of data quality;
- Maintain robust control over data security and privacy to safeguard data integrity;

To achieve these aims, a Data Governance Steering Committee and Management Information System (MIS) unit have been formed. Both functions will ensure that our businesses, risk management and IT strategies are aligned with the DGF. Thus far, we have undertaken the following initiatives:

- Implementation of a MIS Solution initiative to enable key data and insights to cater for BPMB's business needs. This initiative is a constituent of our STP;

## PRESIDENT/ GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

- Formation of a comprehensive data and system architecture that is appropriate to the scale and complexity of BPMB's operations;
- Ongoing monitoring of the data quality within the Bank with regular references against BPMB's data policy statements;
- Ensure timely access to critical data by various functions of the Bank for decision-making, analysis and control purposes.

### BPMB's Whistleblowing Channel

The Group is dedicated to upholding Malaysia's Anti-Corruption Principles in promoting integrity, transparency and good governance in all aspects of its business when we signed the Corporate Integrity Pledge on 26 September 2016. As such, our Whistleblowing Policy is designed to allow individuals to whistleblow on issues of serious concern they encounter. These include bribery, corruption, conflict of interest, fraud, abuse of power or other issues that have a reputational risk to the Group. The policy also extends the necessary protections to the whistleblower in line with the Whistleblower Protection Act 2010. An external independent party administers a platform known as Halo that provides a feedback channel to all BPMB staff. Halo provides five modes of communication for staff to disclose concerns, via toll-free telephone number, website, email, facsimile and post. All of these serve to complement the Group's governance framework and ensure legitimate concerns can be objectively evaluated and addressed.

### Information Technology (IT) Infrastructure Framework

At BPMB, we are continuously reviewing our IT infrastructure to be certain that it can satisfy our business aspirations and meet regulatory requirements. We had recently conducted an extensive assessment of our current IT infrastructure,

and have appointed a Digital Advisor to help oversee key IT initiatives to be implemented post-assessment.

During the assessment, we have identified two critical transformation plans to be undertaken under the Group's IT infrastructure framework. These are as follows:

- General upgrading works on our IT infrastructure and network systems. This is to ensure sufficient IT capacity, such as computing power, to support the current and future needs of BPMB and to significantly improve our operational efficiency and achieve better cost optimisation. These upgrades are undertaken to comply with Bank Negara Malaysia's (BNM) Risk Management in IT (RMiIT) guidelines and are expected to be completed by the third quarter of 2021;
- Development and establishment of a data warehouse infrastructure within BPMB to automate report generation such as BNM regulatory reports, management dashboard and advanced analytics. We will commence work on this initiative by mid-2021 and expect completion and implementation by June 2022.

### EMPOWERING OUR PEOPLE

No organisation can claim a robust performance without the solid backing and commitment of the people behind it. BPMB places great importance on building a culture of high performance and integrity while also ensuring a healthy and safe work environment for our valuable talents. Hence, this year, BPMB has started to concentrate on building the leadership capabilities of our strategic leaders starting with the implementation of a 12-month learning journey for the key management personnel of the Bank. Our "Top Team Effectiveness and Coaching Programme" aspires to foster effective leadership behaviours amongst key management personnel, leading to a

more productive working culture within the Bank. BPMB also has plans to introduce additional leadership programmes, such as BPMB's Bespoke Leadership Development Series in 2021 to complement the Bank's talent management initiatives.

Our "Back-to-Basic Principles" remain the backbone of BPMB's aim to promote a good corporate governance mindset and culture, with a focused emphasis on the four Core Values to our people, which are:

- I am worthy of your trust
- I will speak and seek the truth
- I will seek knowledge to remain relevant
- I will not let you down

A BPMB Core Values Programme is currently in the pipeline for implementation in 2021 to further inculcate the Core Values as part of BPMB's ethos.

To ensure the well-being of our people, we have taken active steps to respond to their needs which have become particularly vital in light of COVID-19. The Bank launched *Naluri* Community to provide remote therapy to our staff, consisting of a dedicated 24/7 helpline for immediate assistance from a certified counsellor, a dietician helpline and online emotional well-being assessments as a quick and easy way for employees to evaluate their mental health. Other initiatives for the year include the implementation of *e-Farma* for easy access to long term medication from the comfort of our employees' homes and targeted financial assistance to selected employees facing financial hardship.

### CREDIT VALUE CHAIN (CVC)

As part of our ongoing efforts to improve how we evaluate and monitor our financing portfolio, BPMB had commenced our CVC project in December 2018, while targeting completion in December 2020. This project involved a comprehensive revamp to not only achieve speedier turnaround times for financing applications, but to also raise the quality of our financing assets. Despite

the pandemic, the project was successfully completed two months ahead of schedule in October 2020. My heartfelt gratitude goes out to all my colleagues and other stakeholders who have contributed to and participated in the CVC project within and beyond our organisation.

As we are currently in the implementation phase, I summarise the key developments we have achieved under this project as follows:

- Development of an Early Warning Signal (EWS) system to assist our credit monitoring functions by detecting certain red flags before default. The EWS ecosystem is supported by a more structured escalation process to ensure all necessary signals are detected early and the pertinent issues are resolved accordingly;
- Enhancement of the Bank's existing credit risk rating model to improve model robustness and predictive power. This helps improve the soundness of our financing and portfolio management decisions. Additionally, the model incorporates the Probability of Default (PD) and the Loss Given Default (LGD) parameters, which will allow for the computation of the forward-looking PD as part of our financing evaluation process;
- Strengthening our credit analysis during the underwriting stage to be more comprehensive and project-focused. During the assessment of any new application, a holistic assessment will be conducted, incorporating all aspects of the project such as the credit, technical and commercial elements.

### SERVING THE NEEDY DURING DIFFICULT TIMES

The impact of COVID-19 has been deeply felt by our communities within and beyond the Bank. Significant hardship has struck many, resulting in unemployment or reduction in business for Small and Medium Enterprises (SMEs). While we are hopeful for an economic rebound to occur in the near future, as a responsible corporate citizen,

BPMB is cognizant of the need to play a more active role in the meantime to help our community weather the storm through our Corporate Social Responsibility (CSR) initiatives.

In April 2020, the Government announced an automatic six-month loan or financing moratorium to all retail and SME customers of banks in the country. In conjunction with this announcement, BPMB granted the same not only to our clients that are categorised as SMEs, but also to our larger corporate clients who are facing significant financial difficulties. As at December 2020, the total value of the moratorium granted by the Bank stands at around RM7.1 billion, with the infrastructure and maritime sectors of our portfolio making up the largest beneficiaries. Additionally, targeted assistance was granted to selected businesses that faced substantial financial strain upon the expiry of the automatic moratorium, via extensions or restructuring and rescheduling of their financing facilities. Our philosophy in this regard was to assist and not to compound the problems faced by our clients.

To help in the fight against the spread of COVID-19, particularly in rural areas with limited infrastructure, BPMB collaborated with *Yayasan Ikhlas* to produce and donate approximately 27,500 sets of Personal Protective Equipment to the healthcare front liners in both Sabah and Sarawak. In addition, to assist the severely impacted *asnaf* community, BPMB has also made significant contributions totalling RM18,236,358 in *zakat* to all fourteen state *zakat* agencies in Malaysia for the year 2020. This assistance was disseminated through special *zakat* distribution programmes by each of the fourteen *zakat* state agencies to maximise reach and mitigate the impact of COVID-19 on the vulnerable *asnaf* community.

BPMB champions equal opportunity for our youth to have access to quality education and as a way to promote the sustainability agenda, in particular, the 17 SDGs by the UN. Ensuing from this commitment, BPMB has launched a School Adoption initiative under our SEEDS (Supporting English

Empowerment to Drive Sustainability) programme, whereby two schools have been adopted by the Bank, namely *SMK Seri Titiwangsa* and *SMK Padang Tembak*. The goals of SEEDS are to sharpen English literacy and heighten awareness of sustainability and its importance among the adopted schools. To date, BPMB has contributed computers to both schools, held a talk that featured speakers from esteemed organisations such as the United Nations and organised workshops to assist the students in tackling the *Sijil Pelajaran Malaysia* (SPM) 2020 English examination.

### THE PATH FORWARD

Moving forward into 2021 and beyond, BPMB will continue to support the Government to revitalize and reinvigorate the economy through our various products and financing solutions with an emphasis on digitalisation, inclusivity and sustainability. We recognise that we have a counter-cyclical role to play to ensure those who are most vulnerable are able to brave through the next few years and come out ready to navigate the much anticipated economic upturn and drive Malaysia into a high-income economy.

I would like to extend my deepest gratitude to our major stakeholders at MOF, BNM and all related regulatory and governmental bodies for their support and confidence in BPMB. My heartfelt thanks also goes out to our highly experienced Board of Directors, whose guidance has been invaluable in ensuring that our transformation journey within the Bank continues to benefit the nation as a whole.

I would also like to take this opportunity to express my greatest appreciation to my colleagues, who have worked tirelessly through these challenging times to ensure that we are able to continue to serve our developmental role to the nation. Their adaptability and dedication have greatly inspired me and I am extremely proud of the capabilities of our talents, who remain at the core of the Bank.

**ARSHAD MOHAMED ISMAIL**  
President / Group Chief Executive Officer



# OUR OPERATING ENVIRONMENT AND OUTLOOK



## ECONOMIC

- In 2020, the global economy slipped into its deepest recession since World War II as the imposition of lockdowns and the closure of international borders worldwide caused an unprecedented pullback in global economic activities.
- Malaysia's real GDP contracted by 5.6%, sharper than the official and our projection of 4.5% as the resurgence of COVID-19 in 4Q 20 pushed the economy back into Movement Control Order (MCO) 2.0.
- The impact of the pandemic also exacerbated the slowdown in trade activities arising from the persistent US-China trade conflict tension, the fall in prices and demand for commodities as well as the disruption in global supply value chains.
- As the nation's leading Development Financial Institution (DFI), we worked closely with the Government in delivering the stimulus packages in response to the pandemic-led slowdown.

### Impact

- The slowdown impacted all sectors in general, although some industries and business stood to gain from the changes in supply-demand dynamics brought about by the pandemic. The services industry was particularly hard-hit, especially in the tourism, aviation, events and recreational-led sectors.
- Prolonged lockdowns also pushed many SMEs dependent on daily turnover as a source of cashflow, to the brink. A significant number of businesses faced cash flow strains in meeting debt obligations, with many forced to close down. Financing performance and approvals deteriorated, and slower credit growth was recorded in multiple segments.
- We have exposure to sectors that were among the worst affected by COVID-19.

### Risk

The speed of economic recovery in 2021 will depend highly on the effectiveness of the national vaccination programme and domestic political stability. Setbacks and negative developments arising from the delays in the implementation of the vaccination programme and heightened instability on the political front could pose significant downside to the economy and potentially trigger market risks. BPMB may be exposed to these market risks in the form of losses due to a change in the values of assets and liabilities held.

### Opportunity

Economic recovery and a new 5-year plan will attract new investments especially those with focus on sustainability, inclusivity and technology advancement.

### Our Strategic Response

- Going forward, we will step up our efforts to position ourselves as the key advocator to our stakeholders in driving the nation's economic development, and strengthen our position as the leading financier for Government-led development initiatives.
- We are in the process of transitioning to become sector-agnostic, however, we will continue to lend to related sectors under our dedicated schemes set up to support the Government's development agenda in those sectors.
- BPMB has been at the forefront of supporting Government efforts to assist businesses hit by the pandemic but stayed on the course of financing strategic sectors via our various schemes. This has strengthened our position vis-a-vis other financiers to capitalise on the much anticipated economic upcycle anticipated to accompany the impending roll-out of the 12<sup>th</sup> Malaysia Plan.
- We assisted customers affected by the lockdown measures and economic slowdown by providing a six-month loan moratorium that was part of the PRIHATIN package introduced by the Government. Upon the expiry of the moratorium, we continued to provide relief to affected customers via a targeted assistance approach.



## SUSTAINABILITY

- Remote-sensing data before and during the pandemic collected by NASA, US Geological Survey (USGS) and ESA (European Space Agency) earth-observing satellites showed that COVID-19 had resulted in improved environmental quality in many parts of the world as economic activities slowed down dramatically. However, for Malaysia, environmental degradation arising from rapid economic growth and under-investment in natural resource management over the years has worsened despite the slowdown in activities.
- Sustainable development financing is a key imperative for solving the nation's developmental challenges and aligning with Malaysia's commitment towards the 2030 United Nations (UN) Sustainable Development Goals (SDGs).
- Having been mandated by the Ministry of Finance to manage the Sustainable Development Financing Scheme (SDFS) since 2019, BPMB will continue to support the Government's drive toward meeting the 17 targets under the UN SDGs.

### Impact

- Frequent water disruptions stemming from raw water pollution in Selangor have highlighted the insufficiency of existing water treatment facilities and infrastructure in coping with the rate of industrial activity. There is an urgent need for more investment targeted at better management of raw water supply and water treatment plants, especially in the Klang Valley. Proper planning is also necessary for effective development of the urban-rural continuum.
- As the Government rolls out further development projects in new sectors with a green or sustainability agenda such as urbanisation planning toward smart cities, there will be a greater need to take stock and first identify basic infrastructural needs.

### Risk

The growing importance of sustainability demands that the Bank lends only to responsible businesses with activities that are in line with the 2030 UN SDGs, such as those with minimal adverse environmental impact or those that mitigate climate change. Failure to do so may increase our credit and reputational risks.

### Opportunity

Adopting the UN SDGs agenda enables us to mitigate various environmental, developmental and social risks through sound lending practices. Achieving economic growth through sustainable development is also perceived as the most innovative money-saving tool for the economy in general.

### Our Strategic Response

- The Measuring Impact on National Development (MIND) framework launched in 2020 will be used to assess the potential impact of our lending practices across environmental, social and governance aspects.
- The SDFS established to support the Government's effort to implement the 17 SDGs will run until 2021. While the Bank will be sector-agnostic post 2021, we will retain an inclination towards the financing of SDG-related projects given that SDG-related sectors are likely to score highly on our MIND framework.
- BPMB has become an official signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB). The PRB aligns the banking sector with the objectives of the UN SDGs and the 2015 Paris Climate Agreement, helping banks to identify where they have the potential to make the most impact for a better economy and world.



Despite the sharp economic downturn caused by the pandemic, BPMB continued to remain resilient in 2020. The pandemic has shown that our emphasis on digitalisation, inclusivity and sustainability is ever relevant, and we remain steadfast in supporting these key areas to support sustainable economic growth.



## DIGITALISATION

- The pandemic has propelled an accelerated shift to digital technologies. At the same time, the use of Internet of Things (IoT) and artificial intelligence (AI) powered by 5G for various consumer and business digital applications, as well as for industrial machinery, has continued to pick up pace.
- Following the introduction of the National Policy on Industry 4.0 through Industry4WRD, a comprehensive transformation agenda to drive digital transformation of the manufacturing sector, the Government is now moving forward to prepare for the adoption of 5G.
- In August 2020, the Government introduced the National Digital Infrastructure or Jalanan Digital Negara (JENDELA) blueprint, a 5-year plan to steer Malaysia towards greater digital connectivity. The blueprint includes a plan to boost the efficiency of the existing national 4G infrastructure and optimise spectrum usage to set the stage for the first phase of 5G technology.
- BPMB will continue supporting the Government in its drive to ensure greater automation and digitalisation among SMEs.

### Impact

- We foresee an acceleration in digitalisation pace among small businesses while those that are already well ahead will be readying themselves for adoption of 5G network and related technologies.
- The increase in entrepreneurial activity following the rise in the unemployment rate due to the COVID-19 impact will also see a corresponding rise in demand for digitalisation for businesses.
- 5G adoption among consumers will be almost automatic as more personal devices become 5G-enabled.

### Risk

Technology and mobility are increasingly shaping consumer and business behaviour. Failure to explore new infrastructure and technology frontiers will erode the Bank's leadership and relevance as a DFI.

### Opportunity

Potential new sectors for financing could include disruptive or ground-breaking technologies displacing established technologies and shaking up the industry. One example of this is social AI which includes but is not limited to robotics and automation meant for technology firms or manufacturing companies.

### Our Strategic Response

- The Bank's Industry Digitalisation Transformation Scheme (IDTS) introduced in 2019 will be extended until December 2023 as part of the measures under Budget 2021 to boost digitalisation activities among SMEs.
- Strategic collaborations with Ministry of Science, Technology, and Innovation's (MOSTI) funding agencies – Kumpulan Modal Perdana (KMP) and Malaysian Technology Development Corporation (MTDC) will encourage greater adoption of advanced technology and automation to solve sectorial gaps.



## INCLUSIVITY

- Household income and wealth disparities have further widened as a result of the pandemic. To mitigate this, the Government introduced various relief measures and handouts to help low-income groups and those who had lost their jobs.
- We foresee the emergence of more structural issues leading to the disparity in income over the medium- to long-term period.
- In alignment with the Government's Shared Prosperity Vision 2030 (SPV 2030) as the main blueprint and guide for restructuring the economy and correcting income and wealth disparities, our role as a DFI in promoting inclusivity will be through providing holistic financing to businesses or projects that will have a positive impact on society or on the economic development of unserved and underserved areas.

### Impact

- Focusing on inclusivity will provide more opportunities for all to improve standards of living and boost recovery speed, thereby contributing to economic growth, poverty reduction and the mitigation of extreme inequalities.
- The Bank could undertake a greater role in supporting projects that promote inclusivity particularly in unserved and underserved areas.

### Risk

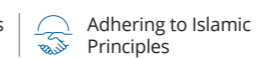
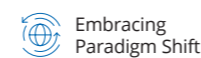
Shifts in political agenda continue to be a key risk for which unanticipated changes in laws, regulations or socio-economic focus could expose BPMB to strategic risks impacting the execution of our business strategy and adversely impact the Bank's productivity and profitability.

### Opportunity

Increased focus on sustainability in future economic agendas could make inclusivity outcomes more easily achieved via development projects and initiatives planned by the Government.

### Our Strategic Response

- BPMB will continue to focus on delivering positive impact through sustainability and inclusivity, beyond the financial viability of projects, especially for underserved and unserved regions.
- We will continue to support sectors with the ability to boost economic productivity and raise the nation's potential to achieve high-income nation status.



[Read more about Our Strategic Transformation Plan from page 18 to 19](#)

# OUR VALUE CREATING BUSINESS MODEL

In our transformation strategy, we designed a system with clear processes and performance metrics to generate and quantify the value we create

# Note: Excluding one-off cost of borrowings redemption




OUR ECOSYSTEM OF SOUND FINANCIAL RESOURCES	DEDICATED SCHEMES WE CREATE	TRANSFORMING FUNDS INTO VALUE CREATION		IMPACT WE CREATE
<p><b>Our Sources of Funding – Pool of Both Internal and External Funds</b></p> <p>Through capital management excellence, we have nurtured and created an ecosystem of sound financial resources over the years which are tapped into to create and support specialised schemes for development.</p> <ul style="list-style-type: none"> <li>Shareholders Funds <b>RM7.7 BIL</b></li> <li>Redeemable Notes/Sukuk <b>RM8.2 BIL</b></li> <li>Long-Term Borrowing <b>RM0.5 BIL</b></li> <li>Deposits from customers and FIs <b>RM6.1 BIL</b></li> </ul>	<p><b>Government Dedicated Schemes – Interest/Finance Income and Cost Differential Subsidies</b></p> <p>We channel our financial resources toward creating dedicated schemes for development. The Government provides compensation through subsidies for financing rate of up to 2%.</p> <ul style="list-style-type: none"> <li><b>Industry Digitalisation Transformation Scheme (IDTS)</b> <b>RM1.0 BIL</b></li> <li><b>Maritime and Logistics Scheme (MLS)</b> <b>RM1.5 BIL</b></li> <li><b>Sustainable Development Financing Scheme (SDFS)</b> <b>RM2.0 BIL</b></li> <li><b>Tourism Infrastructure Scheme (TIS)</b> <b>RM1.0 BIL</b></li> <li><b>Public Transport Scheme (PTS)</b> <b>RM0.1 BIL</b></li> </ul>	<p><b>Our Resources</b></p> <p>We rely on our unique blend of strengths and resources to transform our funds into impact and value creation for all stakeholders.</p> <ol style="list-style-type: none"> <li>Specialised skillset and knowledge</li> <li>Strong relationship with the Government</li> <li>Dedicated client management</li> <li>Organisational excellence (sound IT system and talent management)</li> <li>Sound financial standing</li> </ol>	<p><b>Strategic Thrusts</b></p> <p>To ensure successful execution on our mission of impactful delivery with strategic outcomes, we are rallying the organisation through three strategic thrusts.</p> <ul style="list-style-type: none"> <li><b>Embracing Paradigm Shift</b></li> <li><b>Supporting Government's Strategic Priority Areas</b></li> <li><b>Adhering to Islamic Principles</b></li> </ul> <p><a href="#">See more: Our Strategic Transformation Plan pages 18 and 19</a></p>	<p><b>Developmental impact</b></p> <ul style="list-style-type: none"> <li><b>19.55%</b> Financing to underserved and unserved segments</li> <li><b>3.38 TIMES</b> crowd-in private investment</li> <li><b>RM691.3 MIL</b> Approved Green Financing</li> <li><b>41 CUSTOMERS</b> Increase in clients' income (Approval under moratorium)</li> </ul> <p><b>Financing targeted sectors</b></p> <ul style="list-style-type: none"> <li><b>0.56</b> An output index below 1 shows that our funds are channelled to targeted sectors</li> <li><b>RM73.8 MIL</b> Low net subsidy cost indicates that the subsidy reaches more targeted sectors</li> </ul> <p><b>Financing sustainably</b></p> <ul style="list-style-type: none"> <li><b>12.11%</b> Low subsidy dependence index demonstrates less dependence on Government financing</li> </ul> <p><b>Operational efficiency</b></p> <ul style="list-style-type: none"> <li><b>RM147.2 MIL</b> Profit Before Tax</li> <li><b>9.07% #</b> Cost to Income Ratio</li> <li><b>1.31%/0.42%</b> Return on Equity/Return on Assets</li> <li><b>11.31%</b> Gross Impaired Financing Ratio</li> <li><b>42.83%</b> Risk Weighted Capital Ratio, above the required 8%</li> </ul> <p><b>Contributing to SDGs</b></p> <p><a href="#">See more: Performance pages 14 to 29</a></p>

# OUR STRATEGIC TRANSFORMATION PLAN

As part of BPMB’s vision to be “Malaysia’s Leading Developmental Partner”, the Bank plays a key role both as thought partner and information provider to the Government in formulating national development policies, implementing these policies and providing subsequent assessment and feedback for further improvement. BPMB’s role as a DFI extends beyond traditional lending sectors so as to align our strategies with the Government’s initiatives and global megatrends. The Bank aims to achieve sustainable and inclusive growth consistent with the 2030 Agenda for Sustainable Development advocated by the United Nations.

BPMB strives to achieve our vision through our mission of “Impactful Delivery with Strategic Outcomes”. This entails a flexible and accommodative business approach in order to be constantly aligned with the evolving national agenda. A new impact assessment framework, named Measuring Impact on National Development (MIND), has been adopted to broaden our horizon and focus, as well as track developmental impact on the ground.

Three Strategic Thrusts supporting our vision and mission

	 <b>Embracing Paradigm Shift</b> <b>1</b>	 <b>Supporting Government's Strategic Priority Areas</b> <b>2</b>	 <b>Adhering to Islamic Principles</b> <b>3</b>
<b>STRATEGIC THRUSTS</b>	<ul style="list-style-type: none"> <li>Holistic impact-focusing approach anchored on two main elements:                             <ul style="list-style-type: none"> <li>Impact to Nation and SDGs</li> <li>Impact to Financial Sustainability</li> </ul> </li> <li>Functioning as a “Policy Bank” to serve as Government’s thought partner</li> <li>Promoting a success maximisation mindset as opposed to focusing on risk mitigation</li> <li>Becoming a catalyst for national development and a solution-driven organisation</li> <li>Partnering and learning with reputable and multilateral organisations</li> </ul>	<ul style="list-style-type: none"> <li>Supporting the development of Malaysia policies including:                             <ul style="list-style-type: none"> <li>Malaysia Plans</li> <li>National Blueprints</li> <li>Shared Prosperity Vision</li> </ul> </li> <li>Spearheading and advocating Government’s strategic focus</li> <li>Serving the unserved and underserved with emphasis on developmental impact</li> <li>Promoting ethical banking through impact financing aligned to sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Creating greater socio-economic impact</li> <li>Shariah-compliant financing and solutions in line with impact-focusing approach</li> <li>Emphasising Islamic tenets (Islam, Iman, Ihsan, Adab)</li> </ul>
<b>PROGRESS ACHIEVED IN FY2020</b>	<ul style="list-style-type: none"> <li>BPMB’s proposal on National Development Scheme was announced in National Budget 2021</li> <li>BPMB is a member of the Joint Committee on Climate Change (JC3) of BNM &amp; SC to pursue collaborative action for building climate resilience within Malaysia’s financial sector</li> <li>BPMB has collaborated with strategic partners such as Kumpulan Modal Perdana, Malaysian Technology Development Corporation, China Construction Bank (M) Berhad, Sabah Ports Sdn Bhd and Malaysia Smart Cities Alliance (MSCA)</li> <li>BPMB is in the working committee with multiple agencies such as MDEC, MOSTI, MITI and MIDA to discuss issues and challenges on IR4.0</li> <li>BPMB became a member of United Nations Environment Programme Finance Initiative (UNEP FI)</li> <li>Rolled out the Top-Team Effectiveness and Coaching Programme for Strategic Leaders (CEO-1)</li> </ul>	<ul style="list-style-type: none"> <li>Approved and launched MIND Framework in 1Q2020</li> <li>Bank has approved 41 customers who received their moratorium</li> <li>Approved green financing amounting to RM691.3 million against the target of RM400.0 million</li> <li>Recognition of Ramly Food as first Industry Digitalisation Transformation Scheme (IDTS) recipient</li> </ul>	<ul style="list-style-type: none"> <li>71.36% of BPMB’s financing portfolio consists of Islamic financial business</li> <li>COVID-19 contributions of approximately RM2.2 million in PPE, face shields, shoe covers, masks and gloves to three Government hospitals; face masks to Polis Diraja Malaysia (PDRM) and Angkatan Tentera Malaysia (ATM)</li> <li>Zakat contributions of approximately RM23.1 million – (i) RM18.2 million contributed to 14 state zakat authorities (ii) RM2.9 million COVID-19 zakat contribution (iii) RM2.0 million in other contributions (i.e. universities)</li> </ul>
<b>FOCUS AREAS FOR NEXT YEAR</b>	<ul style="list-style-type: none"> <li>Continuous improvement and leadership in MIND, our Impact Assessment Framework for measuring potential developmental outcomes of the projects financed</li> <li>Participate in policy making and serve in advocacy role to the Government</li> <li>Continuous strategic partnerships with renowned organisations</li> <li>Become a centre of excellence in development finance</li> </ul>	<ul style="list-style-type: none"> <li>Nurture potential of future projects high on the scale of Impact to Nation / SDGs and Financial Sustainability</li> <li>Adopt additionalities indicators as promoted by Bank Negara Malaysia</li> </ul>	<ul style="list-style-type: none"> <li>Complete implementation plan for full-fledged Islamic Development Financial Institution covering eight areas and 20 initiatives</li> <li>Implement structural solution for treatment of any Shariah non-compliant income, post becoming a full-fledged Islamic Development Financial Institution</li> <li>Become a champion of ethical banking</li> </ul>
<b>PRINCIPAL RISKS</b>	<ul style="list-style-type: none"> <li>Regulatory Risk: Challenges may arise from shifts in focus areas arising from changes in the political landscape</li> <li>Market Risk:                             <ul style="list-style-type: none"> <li>The development of COVID-19 vaccination phases throughout nation</li> <li>Uncertainty and ambiguity arising from economic situation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Credit Risk: BPMB is exposed to default risk from existing clients due to uncertainty and ambiguity of economic situation</li> <li>Concentration Risk: Few and limited projects located in the unserved and underserved area could result in risk of concentrated funding in urban areas</li> <li>Climate Change Risk: The value of our assets may be adversely impacted by the effects of climate change. Yet, climate change presents an opportunity as we focus on funding for climate resilience</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory Risk: Strict guidelines and close monitoring by Bank Negara Malaysia could impact the Bank’s process/timeline of converting to Islamic Bank</li> <li>Shariah non-compliance risk: Any financial or non-financial implications such as reputational damage arising from a Shariah non-compliance event</li> </ul>

 Read more about how we manage our principal risks from page 62 to 73

# OPERATIONALISING STRATEGY THROUGH CULTURE

The MIND framework requires an overarching paradigm shift of mindset and behaviour to be embraced by BPMB and our staff. A total of seven Paradigms have been identified, culminating from our own internal reflection and recognition of external challenges. These are listed below.

## THE PARADIGM SHIFT

	From	To
<b>Focus</b>	Profit-driven	Impact-driven
<b>Posture</b>	Deal seeker	Financing advocate
<b>Mindset</b>	Risk mitigation	Success maximisation
<b>Tool</b>	Product focused	Solution driven
<b>Relationship</b>	Financier	Catalyst
<b>People</b>	Me	Us
<b>Stakeholder</b>	Reporting & compliance	Advocacy

Requires the Bank to have and be



Sustainable financial institution with impact focus



Houses deep technical expertise in identified areas to maximise impact



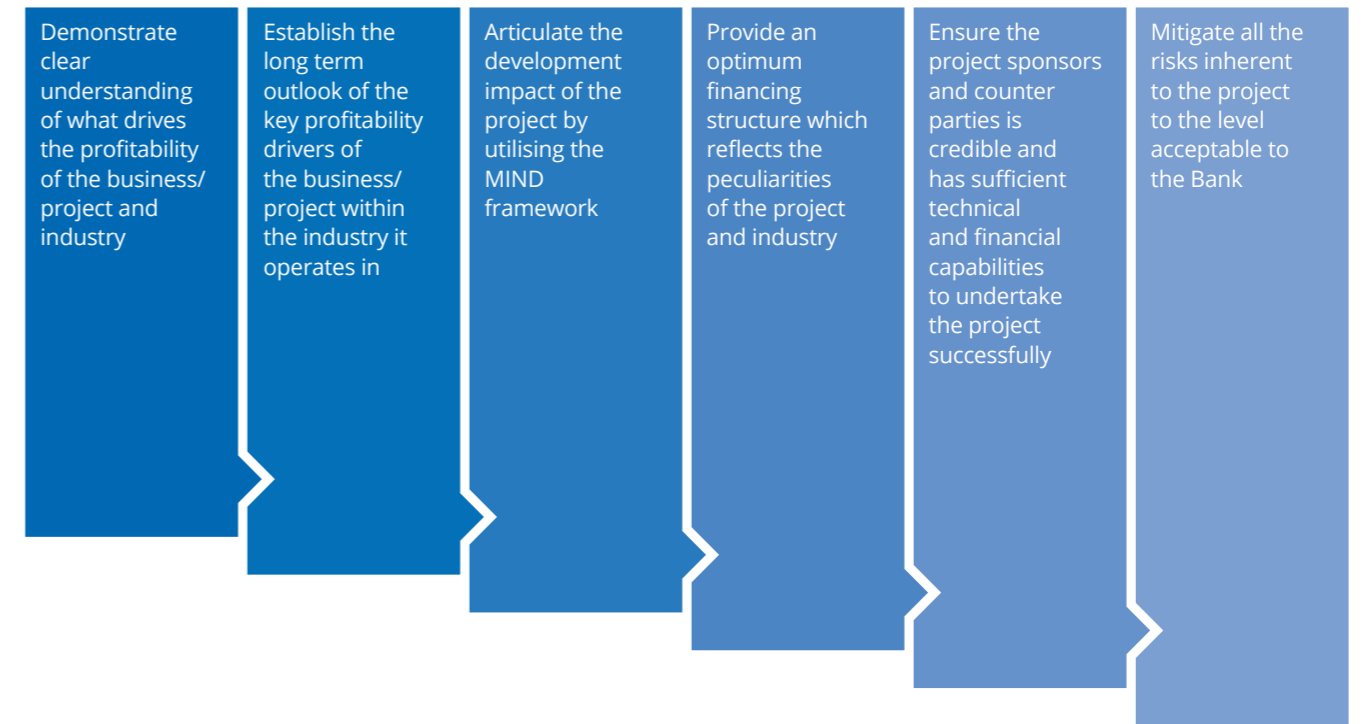
Provide diverse range of products and services to cater for varying needs of customers

## EMBRACING THE PARADIGM SHIFT

The Paradigm Shift will be articulated in the way transactions are being assessed via the 6 filters where transactions will be:

- Impact Driven
- Success Oriented
- Solution Driven
- Catalytic

## PROJECT ASSESSMENT



## OPERATIONAL EXCELLENCE

BPMB will explore new and innovative ways to achieve our targets as a DFI. A snapshot of our approach is presented below:

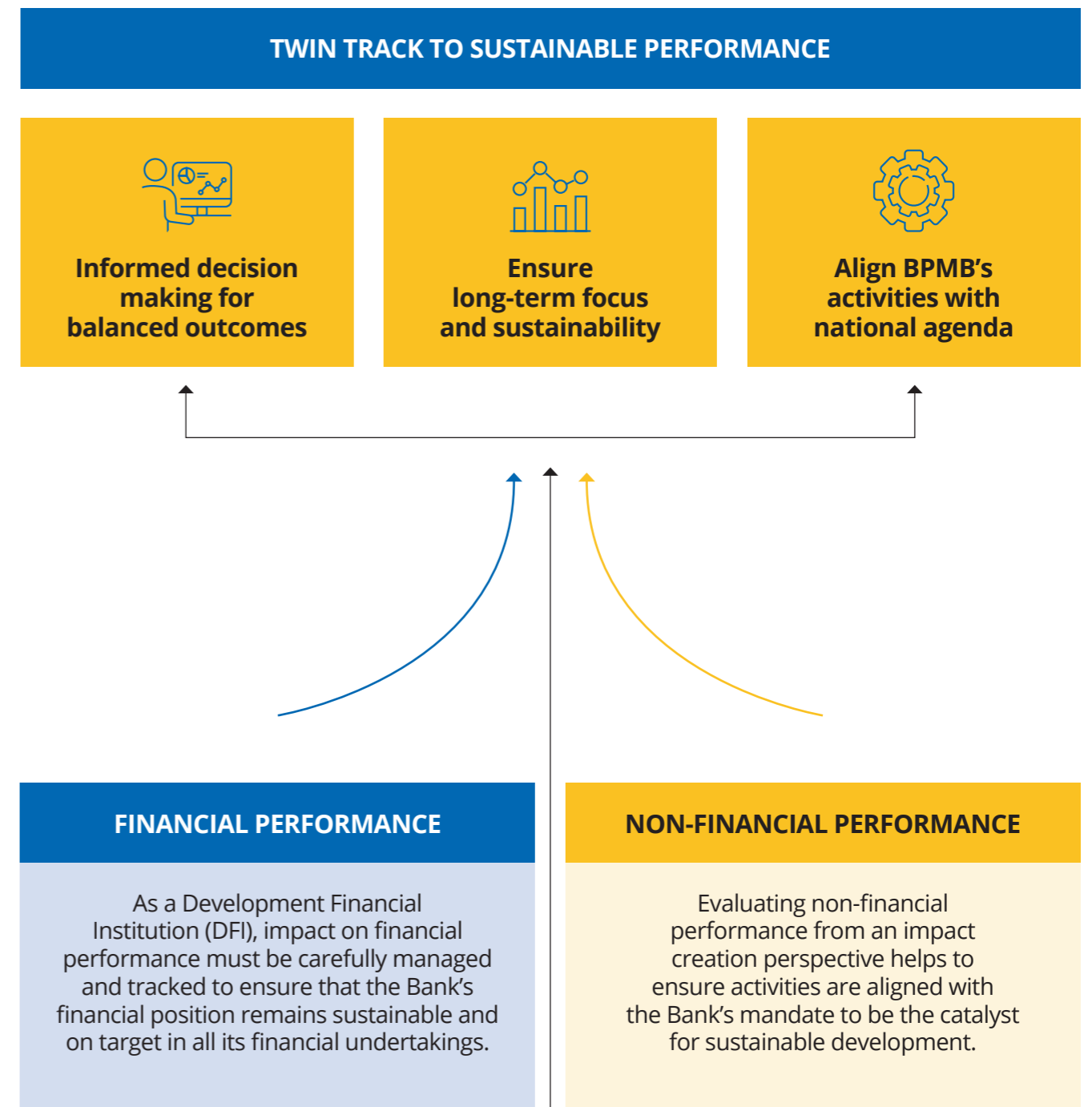
	<b>Managing our risks</b>	<ul style="list-style-type: none"> <li>• Utilisation of a risk-compass and risk-informed pricing to source high potential deals while managing risk appropriately</li> </ul>
	<b>Leveraging our talents</b>	<ul style="list-style-type: none"> <li>• Driving HR excellence and innovation that leads to successful outcomes and moves the Bank forward while leveraging on HR technology</li> <li>• Deploying recruitment and retention strategies including attracting and retaining qualified and high potential individuals for the Bank</li> <li>• Investing in our employees' development and expanding our talent and succession management programmes that reinforce our strategy of "growing our own"</li> <li>• Enhancing the employee experience through a culture of engagement, wellness, diversity and inclusion that leads to overall employee well-being, productivity and retention</li> </ul>
	<b>Upgrading of processes and methods</b>	<ul style="list-style-type: none"> <li>• Automate processes to reduce processing times and greatly improve efficiency in processing deals and disbursements</li> <li>• Make BPMB an accelerator of a Green 1<sup>st</sup> Strategy in sustainable financing and development</li> <li>• Establish collaborations with industry experts or established players to complement BPMB's development objectives</li> </ul>

# MEASUREMENT FRAMEWORK



It is important for BPMB to have a structured and comprehensive measurement framework to assess its crucial role in supporting the development agenda of the nation. As a specialised financial institution, BPMB plays an important role in bridging financing gaps by participating in markets or sectors that are not adequately served by the private sector, as they are typically characterised by high risks, high costs and high uncertainties.

BPMB measures and manages its performance from two perspectives – financial and non-financial. The twin perspectives ensure a holistic performance appraisal.



## FIVE-YEAR GROUP FINANCIAL SUMMARY

	2020	2019	2018	2017	2016
<b>Profitability (RM million)</b>					
Profit before tax and zakat	158	380	261	325	208
Net profit for the year	107	252	167	213	231
<b>Key statements of financial position data (RM million)</b>					
<b>Total assets</b>	<b>23,476</b>	<b>24,663</b>	<b>24,734</b>	<b>26,999</b>	<b>26,861</b>
Cash and total deposits and placements	1,221	3,574	2,350	1,718	1,296
Financial Investment—FVOCI	6,132	5,024	3,720	-	-
Financial Investment—FVTPL	46	-	-	-	-
Financial Investment—Available for sale (AFS)#	-	-	-	5,224	3,697
Financial Investment—Held to maturity (HTM)#	-	-	-	-	186
Loans, financing and advances	15,584	15,702	18,285	19,743	21,210
Other assets	493	364	379	314	472
<b>Total liabilities</b>	<b>15,514</b>	<b>16,768</b>	<b>17,183</b>	<b>19,272</b>	<b>19,278</b>
Deposits from customers and financial institution	6,148	6,525	6,513	8,160	9,760
Bill and acceptance payable	-	-	-	249	-
Redeemable Notes	8,249	7,293	7,344	7,393	5,920
Borrowings	508	2,176	2,682	2,784	2,944
Infrastructure support fund	305	439	304	304	307
Deferred income	202	212	220	227	234
Other liabilities	102	123	120	155	113
<b>Total equity</b>	<b>7,962</b>	<b>7,895</b>	<b>7,551</b>	<b>7,727</b>	<b>7,583</b>
Paid-up capital	3,079	3,079	3,079	3,079	3,079
Reserves	4,871	4,804	4,456	4,629	4,472
Non Controlling Interest	12	12	16	19	32
<b>Commitments and contingencies</b>	<b>7,347</b>	<b>7,532</b>	<b>6,258</b>	<b>9,335</b>	<b>8,351</b>
<b>Share information</b>					
Earnings per share	3.48	8.18	5.56	7.34	7.08
Gross dividends (sen)	2.44	4.94	3.25	3.25	3.25
Normal (sen)	2.44	3.25	3.25	3.25	3.25
Special (sen)	-	1.69	-	-	-
<b>Financial ratios</b>					
<b>Profitability ratios (%)</b>					
Return on Equity	1.35	3.26	2.19	2.76	3.05
Return on Assets	0.44	1.02	0.65	0.79	0.86
Cost to Income Ratio	9.44*	16.54	13.09	11.28	13.03
<b>Asset quality ratios (%)</b>					
Gross impaired loans, financing and advances ratio	11.29	12.15	10.95	12.15	15.02
Net impaired loans, financing and advances ratio	4.45	4.88	4.89	4.99	6.33

\* Note: Excluding one-off cost of borrowing redemption

# Note: Under MFRS 9, AFS and HTM were classification under MFRS 139 which have been classified as FVOCI.

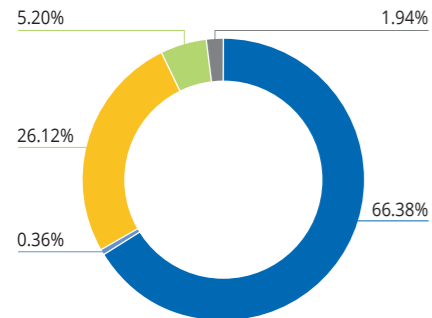
## FINANCIAL HIGHLIGHTS

	Group		Bank	
	2020	2019	2020	2019
<b>Profitability (RM million)</b>				
Profit before tax and zakat	158	380	147	435
Net profit for the year	107	252	101	315
<b>Key statements of financial position data (RM million)</b>				
<b>Total assets</b>	<b>23,476</b>	<b>24,663</b>	<b>23,209</b>	<b>24,411</b>
Total deposits and placements	1,221	3,574	913	3,254
Financial Investment—FVOCI	6,132	5,024	6,132	5,019
Financial Investment—FVTPL	46	-	46	-
Investment in subsidiaries	-	-	255	255
Loans, advances and financing	15,584	15,702	15,394	15,546
Other assets	493	364	469	337
<b>Total liabilities</b>	<b>15,514</b>	<b>16,768</b>	<b>15,462</b>	<b>16,725</b>
Deposits from customers and financial institutions	6,148	6,525	6,148	6,525
Redeemable Notes	8,249	7,293	8,249	7,293
Borrowing	508	2,176	508	2,176
Infrastructure support funds	305	439	305	439
Deferred income	202	212	202	212
Other liabilities	102	123	50	80
<b>Total equity</b>	<b>7,962</b>	<b>7,895</b>	<b>7,747</b>	<b>7,686</b>
Paid-up capital	3,079	3,079	3,079	3,079
Reserves	4,871	4,804	4,668	4,607
Non Controlling Interest	12	12	-	-
<b>Commitments and contingencies</b>	<b>7,347</b>	<b>7,532</b>	<b>6,915</b>	<b>7,313</b>
<b>Share Information</b>				
Earnings per share – basic (sen)	3.48	8.18	-	-
Gross dividends (sen)	2.44	4.94	2.44	4.94
Normal (sen)	2.44	3.25	2.44	3.25
Special (sen)	-	1.69	-	1.69
<b>Financial ratios</b>				
<b>Profitability ratios (%)</b>				
Return on Equity	1.35	3.26	1.31	4.20
Return on Assets	0.44	1.02	0.42	1.29
Cost to Income Ratio	9.44*	16.54	9.07*	15.04
<b>Capital adequacy ratios (%)</b>				
Risk Weighted Capital Ratio (RWCR)	-	-	42.83	38.83
Core Capital Ratio	-	-	33.75	32.35
<b>Asset quality ratios (%)</b>				
Gross impaired loans, financing and advances ratio	11.29	12.15	11.31	12.18
Net impaired loans, financing and advances ratio	4.45	4.88	4.49	4.92

\* Note: Excluding one-off cost of borrowing redemption

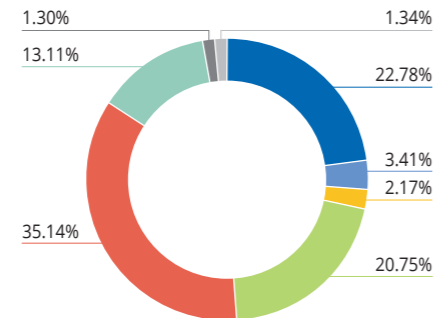
# GROUP STATEMENT OF FINANCIAL POSITION

COMPOSITION OF ASSETS - 2020



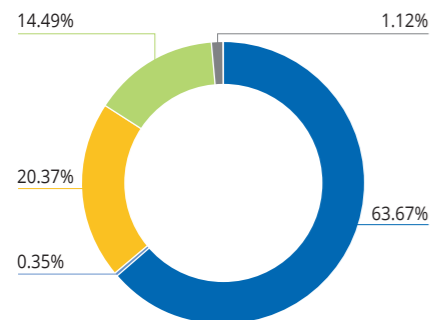
- Loans, financing and advances
- Fixed assets
- Financial Investment — FVOCI
- Cash and short term deposits
- Other assets

COMPOSITION OF LIABILITIES AND EQUITY - 2020



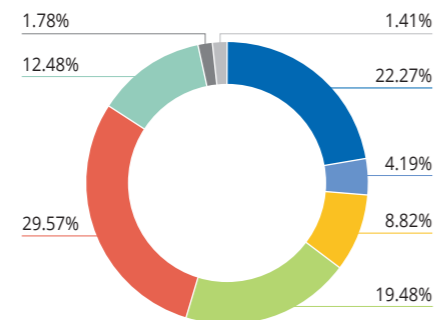
- Deposits from customers
- Deposits and placements from Financial Institutions
- Term loans
- Reserves
- Redeemable Notes
- Share Capital
- Infrastructure support funds
- Other liabilities

COMPOSITION OF ASSETS - 2019



- Loans, financing and advances
- Fixed assets
- Financial Investment — FVOCI
- Cash and short term deposits
- Other assets

COMPOSITION OF LIABILITIES AND EQUITY - 2019

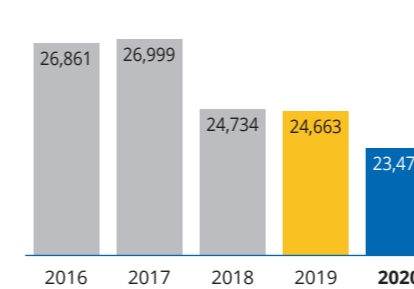


- Deposits from customers
- Deposits and placements from Financial Institutions
- Term loans
- Reserves
- Redeemable Notes
- Share Capital
- Infrastructure support funds
- Other liabilities

# FIVE-YEAR GROUP GROWTH TRAJECTORY

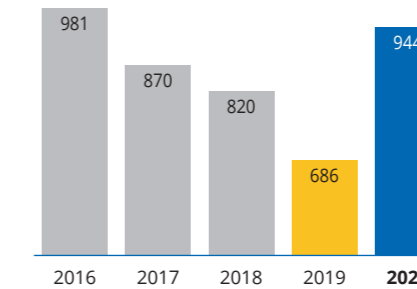
TOTAL ASSETS

**23,476**  
RM MIL



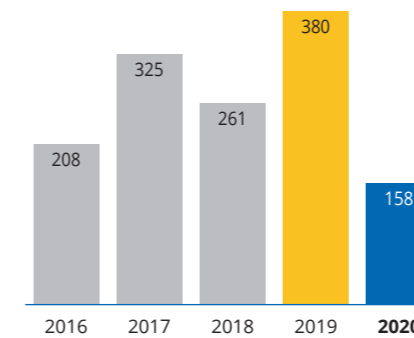
NET INCOME

**944**  
RM MIL



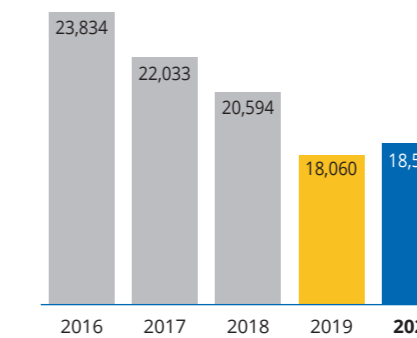
PROFIT BEFORE TAX & ZAKAT

**158**  
RM MIL



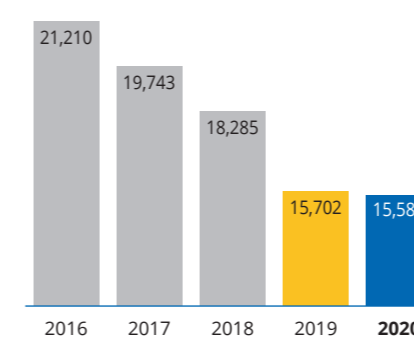
GROSS LOANS, FINANCING AND ADVANCES

**18,519**  
RM MIL



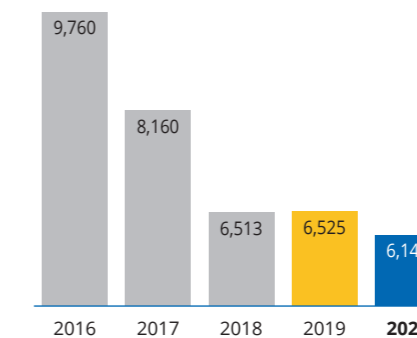
NET LOANS, FINANCING AND ADVANCES

**15,584**  
RM MIL



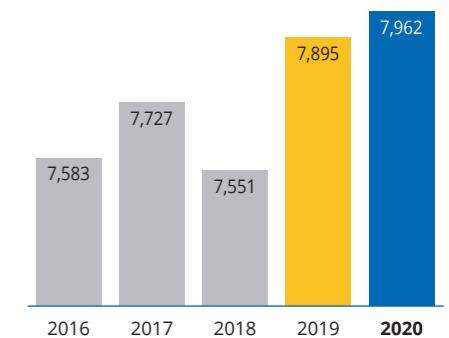
DEPOSITS FROM CUSTOMERS & FINANCIAL INSTITUTIONS

**6,148**  
RM MIL



TOTAL EQUITY

**7,962**  
RM MIL



# NON-FINANCIAL PERFORMANCE

The Bank's Non-financial Performance Framework is an outcome-based framework designed to capture the broader contributions of BPMB beyond the narrow focus of financing growth indicators. In particular, it integrates developmental key result indicators to measure the socio-economic impact of BPMB's operations and to create strong incentives for strategic alignment to achieve greater development impact.

The framework adopted to measure BPMB's non-financial performance comprises two components:

- A. DEVELOPMENTAL IMPACT
- B. SOCIAL COST AND BENEFIT

A. DEVELOPMENTAL IMPACT		
There are four indicators on developmental impact, which are also included in BPMB's Corporate Scorecard 2020.		
INDICATOR	FY2020 TARGET	FY2020 PERFORMANCE
<b>Financing to unserved and underserved segments</b> Portfolio (excluding Kuala Lumpur, Putrajaya, Selangor, Penang & Johor) Total Portfolio	20.00%	<b>19.55%</b> Target of 20% was almost met for financing to unserved and underserved segments.
<b>Approved Green Financing (new)</b> Total approval of Sustainable Development Financing Scheme (SDFS) and any approval via Measuring Impact on National Development (MIND).	RM400.0 million	<b>RM691.3 million</b> A total of 6 approved green financing in FY2020.
<b>Increase in clients' income (Approvals under moratorium) (new)</b> BNM announced a moratorium for SMEs to manage the impact of the COVID-19 outbreak which includes measures for a 6-month deferment of all financing repayments effective from 1 April 2020, applicable for all performing financing that have not been in arrears for more than 90 days.	22 customers	<b>41 customers</b> Exceeded approvals under moratorium target, preserving clients' income and improve client cash flow and profitability.
<b>Crowd-in Private Investment</b> Total funding from other institutions Total funding from BPMB	0.25 times ≤ x ≤ 4.00 times	<b>3.38 times</b> Participated in 2 syndications in 2020 to promote Private Investment Crowd-In.

## B. SOCIAL COST AND BENEFIT

We have adopted the following metrics as part of our plan for 2020 – 2022 to measure our effectiveness in using public resources to deliver on our mandate:

INDICATOR	FY2019/FY2020 PERFORMANCE							
<b>Subsidy Dependence Index (SDI)</b> Measures the DFI's level of self-sustainability in relation to Government assistance. A higher SDI indicates higher dependence on the Government's financial assistance.	<table border="1"> <tr> <th>Year</th> <th>SDI (%)</th> </tr> <tr> <td>2019</td> <td>15.06%</td> </tr> <tr> <td>2020</td> <td>12.11%</td> </tr> </table>	Year	SDI (%)	2019	15.06%	2020	12.11%	SDI for 2020 is higher than the figure in 2019, mainly driven by lower Profit Before Taxation and Zakat (PBTZ) supported with higher Government assistance in the form of Government compensation scheme.  Moving forward, our strategy is to achieve a lower SDI by achieving a higher PBTZ and financing disbursement while maintaining lower Government assistance.
Year	SDI (%)							
2019	15.06%							
2020	12.11%							
<b>Output Index (OI)</b> Measures the DFI in fulfilling social objectives i.e. financing targeted sectors. An OI below 1 indicates that more funds have been channelled towards the targeted segments rather than non-targeted segments.	<table border="1"> <tr> <th>Year</th> <th>OI</th> </tr> <tr> <td>2019</td> <td>0.56</td> </tr> <tr> <td>2020</td> <td>0.56</td> </tr> </table>	Year	OI	2019	0.56	2020	0.56	BPMB achieved an OI of less than 1 for both 2020 and 2019. Moving forward, the strategy is to maintain lower Output Index below 1 by providing financing to targeted sectors.
Year	OI							
2019	0.56							
2020	0.56							
<b>Net Subsidy Cost (NSC)</b> Measures the effective weighted cost of the subsidy (Government assistance) to the society against the OI. NSC lower than net subsidy received is better, indicating effective social gain as the subsidy reaches more targeted sectors.	<table border="1"> <tr> <th>Year</th> <th>NSC (RM MIL)</th> </tr> <tr> <td>2019</td> <td>113.2</td> </tr> <tr> <td>2020</td> <td>73.8</td> </tr> </table>	Year	NSC (RM MIL)	2019	113.2	2020	73.8	The NSC for 2020 was higher compared to 2019 driven by lower PBTZ and higher Government assistance for the year.  Moving forward, the strategy is to achieve a lower NSC, by achieving a higher PBTZ and maintaining lower OI and other forms of Government assistance.
Year	NSC (RM MIL)							
2019	113.2							
2020	73.8							

Please refer to Highlights of the Year from page 84 to 87 for key developments on the Sustainability, Inclusivity, Digitalisation and Economic fronts.



# BOARD OF DIRECTORS

- A Board Audit Committee
- C Board Credit Committee
- I Board Information Technology Committee
- N Board Nomination & Remuneration Committee
- R Board Risk Management Committee
- Denotes Committee Chairman

## DATO' SRI MOHAMED NAZIR ABDUL RAZAK

Non-Executive Chairman/Independent Non-Executive Director

### Date of Appointment

22 April 2021

### Qualifications

- Bachelor of Science (Hons) in Economics and Politics, University of Bristol
- Master of Philosophy in Development Economics, University of Cambridge
- Chevening Fellow at the Oxford Centre for Islamic Studies
- Transformational Leadership Fellow, Blavatnik School of Government, Oxford University

### Areas of Expertise

- Banking & Transformational Leadership

### Relevant Experience

Dato' Sri Nazir brings with him over 29 years of experience in the banking industry. His career began in 1989 in the corporate advisory department of Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad). He held various roles within the firm before being appointed as Chief Executive in June 1999 at the age of 33. Dato' Sri Nazir spearheaded CIMB's transformation from a Malaysian investment bank to an ASEAN universal bank via a series of bank acquisitions across the region. He served as the Group's CEO for over 15 years, until 2014 when he became its Chairman. He retired from CIMB in October 2018.

During his career at CIMB he also served as a Non-Executive Director of Khazanah Nasional for 4 years from 2014 to 2018 and a member of the Employee Provident Fund Investment Panel for 15 years from 2002 to 2017.

Since 2019 Dato' Sri Nazir has been the Founding Partner and Chairman of Ikhlas Capital, an ASEAN private equity firm.



Dato' Sri Nazir received various accolades throughout his career. In 2004, he was awarded the American Express and Business Times CEO of the Year Award. He also became the youngest ever recipient of Finance Asia's prestigious "Lifetime Achievement Award" in 2009. He received the Euromoney's Outstanding Achievement Award in 2012 and Asia House Asian Business Leader Award for 2015.

Dato' Sri Nazir has made significant contributions in philanthropy. He was instrumental in setting up the CIMB Foundation in 2007 and now sits on the advisory board of the Centre for Asian Philanthropy and Society (CAPS) and is a trustee of the Urological Cancer Trust Fund of Universiti Malaya.

### Directorships in Public Companies/ Subsidiaries of Public Companies

- Chairman of PLS Plantation Berhad

### Shareholdings in BPMB Group

- Nil

### Membership of Board Committees in BPMB

A C I N R

### Declaration

Dato' Sri Nazir has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.



## NORAZILLA MD TAHIR

Independent Non-Executive Director

### Date of Appointment

14 August 2020

### Qualifications

- Bachelor of Arts (Hons) in Accounting, University of Stirling, Scotland
- Member of the Malaysian Institute of Accountants (MIA)
- Fellow Chartered Accountant of the Institute of Chartered Accountants in England and Wales (ICAEW)

### Areas of Expertise

- Finance, Audit and Accounting

### Relevant Experience

Norazilla has more than 25 years' experience in financial management, notably in Financial Institutions and Capital Markets. She also possesses experience in sales logistics chain management, having worked at L'Oreal Malaysia Sdn Bhd and Universal Music Sdn Bhd.

Prior to her appointment at BPMB, Norazilla was the Chief Financial Officer of Cagamas Berhad (Cagamas) for nine years, where she spearheaded the financial leadership of the Group and was responsible for upholding strong financial management and governance through the implementation of enhanced internal controls and processes to ensure timely, accurate and reliable financial reporting. Norazilla has also served as CFO/Head of Finance at RHB Islamic Bank Berhad, Asian Finance Bank Berhad and the Al Rajhi Banking and Investment Corporation (Malaysia) Berhad.

### Directorships in Public Companies/ Subsidiaries of Public Companies

- Director of Global Maritime Ventures Berhad
- Director of Pembangunan Leasing Corporation Sdn Bhd
- Director of PLC Credit & Factoring Sdn Bhd
- Director of BI Credit & Leasing Berhad

### Shareholdings in BPMB Group

- Nil

### Membership of Board Committees in BPMB

A C I N R

### Declaration

Norazilla has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.



## ARIFF ROZHAN

Independent Non-Executive Director

### Date of Appointment

10 May 2019

### Qualifications

- LLB (Hons) from Reading University, Berks, England
- Fellow of the Chartered Institute of Arbitrators

### Areas of Expertise

- Legal and Litigation (including banking and financial disputes, corporate, contractual and commercial disputes, forensic investigation and construction)

### Relevant Experience

Having practised law for more than 30 years, Ariff possesses extensive experience as a counsel and solicitor in complex claims and disputes across areas including arbitration, corporate and commercial disputes, insurance and reinsurance, banking, administrative, insolvency, construction and contractual matters. He is also well-versed in forensic investigations, forensic due diligence, and cases involving issues of regulatory and statutory compliance.

Ariff began his career in 1989 at an international city law firm in London, practising as a Barrister until 2004 when he returned to Malaysia and practised as an advocate and solicitor of the High Court of Malaya. He was a partner at Zaid Ibrahim & Co (ZICO), where he headed the firm's Dispute Resolution practice and served on its Executive Committee. He is currently owner and Managing Partner at Ariff Rozhan & Co, which he founded in 2015. The firm manages both Malaysian and international clients, which include banks, major corporations, statutory bodies, local authorities, conglomerates and high net worth individuals. Ariff also continues to practice as a Barrister and is authorised by the Bar Council of England & Wales to "Conduct Litigation" and is registered in England & Wales to accept instructions via Direct Access.

### Directorships in Public Companies/ Subsidiaries of Public Companies

- Chairman of Global Maritime Ventures Berhad
- Director of Pan Malaysia Corporation Berhad

### Shareholdings in BPMB Group

- Nil

### Membership of Board Committees in BPMB

A C I N R

### Declaration

Ariff has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.

## PRESIDENT/ GROUP CHIEF EXECUTIVE OFFICER



### ARSHAD MOHAMED ISMAIL

President/Group Chief Executive Officer

#### Date of Appointment

8 April 2019

#### Qualifications

- LL.B. (Hons.) from the International Islamic University Malaysia
- M.B.A. from the London Business School, United Kingdom
- Chartered Banker, Asian Institute of Chartered Bankers

#### Areas of Expertise

- Corporate Banking, Debt Capital Markets, Islamic Banking & Finance

#### Relevant Experience

Prior to his appointment as President/Group Chief Executive Officer of BPMB, Arshad was Head of Global Banking Business at Maybank Islamic Berhad, where he oversaw the bank's corporate banking, trade finance and investment banking business lines. Since commencing his career in 1995 as a lawyer with Messrs. Mohamed Ismail & Co, specialising in corporate law, banking and finance law, and Islamic banking and finance law, Arshad has taken a varied career path.

In early 2003, he was part of the pioneer team of CIMB Islamic Bank Berhad, focusing on Sukuk origination and execution before relocating to the United Arab Emirates in late 2004 to join HSBC Amanah as the Head of Islamic Capital Market. At HSBC Amanah, Arshad and his team originated many innovative and groundbreaking Sukuk transactions in the Gulf Cooperation Council region and South East Asia. Arshad has also held the role of Head of Asset Management at Aayan Capital, a boutique investment bank based in Jeddah, Saudi Arabia and Head of Corporate Finance and Advisory at Al Hilal Bank, an Islamic bank based in Abu Dhabi. Arshad returned to Malaysia in 2011 to join the International Islamic Liquidity Management Corporation (IILM) as Executive Director, Origination and Structuring.

#### Directorships in Public Companies/ Subsidiaries of Public Companies

- Director of Pembangunan Leasing Corporation Sdn Bhd
- Director of PLC Credit & Factoring Sdn Bhd
- Director of BI Credit & Leasing Berhad

#### Shareholdings in BPMB Group

- Nil

#### Membership of Board Committees in BPMB

- Nil

#### Declaration

Arshad has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.

## FORMER BOARD OF DIRECTORS

### DATO' WAN MOHD FADZMI CHE WAN OTHMAN FADZILAH

Former Independent Non-Executive Director

#### Date of Appointment

25 April 2019 (resigned on 25 April 2021)

#### Qualifications

- Bachelor of Construction Economics, from RMIT University, Australia
- Advanced Management Programme at the Wharton Business School, University of Pennsylvania, United States of America
- Senior Executive Finance Programme at Templeton College, University of Oxford
- Chartered Banker at the Asian Institute of Chartered Bankers (AICB)
- Chartered Professional in Islamic Finance (CPIF)
- Fellow, Institute of Corporate Directors Malaysia (ICDM, F)

#### Areas of Expertise

- Commercial and Development Banking, Economics, Agriculture

#### Relevant Experience

A professional banker with over 25 years of experience in domestic and international banking, Dato' Wan Mohd Fadzmi has received many accolades in his career including Outstanding CEO 2017 from the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) in Macau, China and CEO of the Year at the Global Islamic Finance Awards (GIFA) 2016 in Jakarta, Indonesia. Dato' Wan Mohd Fadzmi began his career in Melbourne, Australia as a Cost Estimator with Peter Slattery & Co in 1986. Upon returning to Malaysia in 1988, he joined Malayan Banking Berhad (MBB) where he spent the next 12 years in various leadership roles which include serving as General Manager/Country Head of MBB's London and New York branches, as well as General Manager/Chief Executive of MBB Hong Kong.

Thereafter, Dato' Wan Mohd Fadzmi joined RHB Bank as Director, Global Business Banking Strategic Business Group in 2010 overseeing RHB's international banking operations comprising branches in Singapore, Thailand and Brunei Darussalam. He was appointed as the President/Chief Executive Officer of Bank Pertanian (M) Berhad (Agrobank) from 2011 to 2017, and was fully responsible for leading Agrobank's operations across Peninsular Malaysia, Sabah and Sarawak.

#### Directorships in Public Companies/ Subsidiaries of Public Companies

- Director of Hap Seng Consolidated Berhad
- Director of Sumitomo Mitsui Banking Corporation Berhad
- Chairman of Sedania Assalam Capital Sdn Bhd
- Director of Pembangunan Leasing Corporation Sdn Bhd
- Director of PLC Credit & Factoring Sdn Bhd
- Director of BI Credit & Leasing Berhad

#### Shareholdings in BPMB Group

- Nil

#### Membership of Board Committees in BPMB



#### Declaration

Dato' Wan Mohd Fadzmi has no

- Family relationship with any director and/or major shareholder of BPMB
- Conflict of interest with BPMB and has never been charged for any offence

### DATUK ZAITON MOHD HASSAN

Former Non-Executive Chairman/Independent Non-Executive Director

#### Date of Appointment

18 February 2019 (retired on 18 February 2021)

#### Qualifications

- Fellow of the Association of Chartered Certified Accountants (ACCA), United Kingdom
- Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants

#### Areas of Expertise

- Banking, Accounting, Finance

#### Relevant Experience

Datuk Zaiton brings more than 40 years of diverse banking and finance experience, including 12 years in Maybank, in various senior positions including heading Treasury, International Operations, Branch Operations and Group Strategic Planning and 13 years on the Board of Bank Islam (M) Berhad, including chairing both the Board Risk Committee and the Audit & Examination Committee.

She set up Malaysian Rating Corporation Bhd (MARC) in 1996 and was its President/Executive Director for eight (8) years. She was also responsible for the establishment of the Malaysia Professional Accountancy Centre (MyPAC) in 2015, a not for profit institution, which focuses on giving the opportunity and funding for students from underprivileged B40 families to pursue professional accounting qualifications and is currently its Chief Executive Officer.

Datuk Zaiton's extensive experience as an independent director includes chairing the Group Governance & Audit Committee of Sime Darby Plantation Berhad. She is currently the Chairman of Private Pension Administrator Malaysia and Director of several other private companies.

She is also a Global Council Member of ACCA and a Member of the International Federation of Accountants (IFAC) Professional Accountants in Business Advisory Group.

#### Directorships in Public Companies/ Subsidiaries of Public Companies

- Director of Sime Darby Plantation Berhad

#### Shareholdings in BPMB Group

- Nil

#### Membership of Board Committees in BPMB



#### Declaration

Datuk Zaiton has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.

## FORMER BOARD OF DIRECTORS

### TAN SRI DR RAHAMAT BIVI YUSOFF

Former Independent Non-Executive Director

#### Date of Appointment

1 October 2018 (retired on 1 October 2020)

#### Qualifications

- Bachelor of Social Science (Economics) (Honours) degree from Universiti Sains Malaysia
- Master of Economics from University of Western Michigan, USA
- Diploma in Public Administration from the Institute of Public Administration (INTAN)
- Ph.D. in Political Science and International Relations from Australian National University

#### Areas of Expertise

- Economy, Finance, Macro Development, Government Projects

#### Relevant Experience

Tan Sri Dr Rahamat had served in the public service for 36 years, with vast experience in the fields of economy, finance and macroeconomic development. Her career began at the Ministry of Finance (MOF) as an Assistant Secretary in the Tax Division in 1981 followed by a stint as a Project Officer at the Institute of Public Administration (INTAN) from 1988 to 1991.

Tan Sri Dr Rahamat then served as Assistant Director in the Macroeconomic and Evaluation Section of the Economic Planning Unit (EPU) in the Prime Minister's Department from 1991 to 1993. She was later promoted to the position of Principal Assistant Director in the same section from 1994 to 2000 and also held the same position in Section Industry and Services in 2001. She was seconded to the Department of Industrial Development, Energy Commission as Director in 2002.

Tan Sri Dr Rahamat returned to the EPU as Deputy Director in the Macroeconomic Section in August 2004 and in December the same year she was appointed as the Secretary of Economic Division at MOF. She continued to hold prominent positions at MOF through her promotion as Director of the Budget Division in 2008, and as Deputy Secretary General (Systems and Controls) in 2011. Tan Sri Dr Rahamat then returned to the EPU as Director General from 2011 to June 2017.

She is currently the Chairperson of Malaysia Deposit Insurance Corporation (PIDM), Co-chair of Malaysia Thailand Joint Authority (MTJA) and Chairperson of Board of Governors, Multimedia University. She is also a Member of Advisory Panel of Asian Development Bank Institute.

#### Directorships in Public Companies/ Subsidiaries of Public Companies

- Director of IOI Corporation Berhad
- Director of Ekuiti Nasional Berhad (EKUINAS)
- Chairperson of Global Maritime Ventures Berhad

#### Shareholdings in BPMB Group

- Nil

#### Membership of Board Committees in BPMB



#### Declaration

Tan Sri Dr Rahamat Bivi has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.

### DATO' OTHMAN SEMAIL

Former Non-Independent Non-Executive Director

#### Date of Appointment

22 January 2019 (retired on 20 March 2021)

#### Qualifications

- Master of Business Administration from Universiti Kebangsaan Malaysia (UKM)
- Bachelor of Natural Resources Economics from Universiti Pertanian Malaysia (UPM)
- Diploma in Public Administration from the National Institute of Public Administration (INTAN)
- Diploma in Agriculture from UPM

#### Areas of Expertise

- Agriculture, Procurement, Public Sector

#### Relevant Experience

Dato' Othman has over 37 years of experience in public sector. He began his career as an Assistant Agriculture Officer at Rubber Industry Smallholders Development Authority (RISDA) in 1982 and moved on to the Planning and Corporate Division of Ministry of Primary Industries as an Assistant Secretary in 1998.

He then joined the Ministry of Finance in 2005 as an Assistant Secretary in the Government Procurement Division and thereafter undertook numerous positions before he was promoted to his current position as Deputy Secretary General (Management) in October 2018.

He was the Chairman of SRC International Sdn Bhd and a Director of Capital Market Development Fund prior to his retirement.

#### Directorships in Public Companies/ Subsidiaries of Public Companies

- Chairman of Technology Depository Agency Berhad

#### Shareholdings in BPMB Group

- Nil

#### Membership of Board Committees in BPMB



#### Declaration

Dato' Othman has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.

### TAN LYE SIM

Former Independent Non-Executive Director

#### Date of Appointment

15 September 2018 (retired on 15 September 2020)

#### Qualifications

- Fellow of the Association of Chartered Certified Accountants

#### Areas of Expertise

- Risk Management, Banking, Accounting

#### Relevant Experience

Tan Lye Sim is an accomplished risk practitioner with more than 30 years of experience in financial institutions, securities houses, merchant and commercial banks and finance companies.

Tan Lye Sim held various senior positions in financial institutions from 2005 to 2013, including as the Head of Treasury Compliance of RHB Bank Berhad, Group Chief Risk Officer of Alliance Financial Group, Chief Risk Officer of Hong Leong Bank, Director, and Head of Operational Risk Management of CIMB Investment Bank. Her last position was as Group Chief Risk Officer at Kenanga Investment Bank Berhad from 2013 to 2017. During her time there, Tan Lye Sim developed overall risk management framework and policies for the respective banks. She also planned, led and implemented programs, processes and systems for effective group wide risk management.

Tan Lye Sim began her career in the Foreign Exchange Department at the London branch of United Overseas Bank Ltd in 1984. She spent 13 years working in London and held various positions at Nikko Securities Co. (Europe) Ltd, Hill Samuel Merchant Bank Ltd and Fuji International Finance Ltd. Upon her return to Malaysia, she joined MBF Finance Berhad as Head, Risk Management Dept./Treasury Settlements from 1997 to 2002. She then joined SAS Institute Sdn. Bhd. in 2002 as a Principal Risk Consultant for Enterprise Wide Risk Management solutions.

Tan Lye Sim currently does not hold any directorship in other companies.

#### Directorships in Public Companies/ Subsidiaries of Public Companies

- Nil

#### Shareholdings in BPMB Group

- Nil

#### Membership of Board Committees in BPMB



#### Declaration

Tan Lye Sim has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.

### DR MOHAMED ASHRAF MOHAMED IQBAL

Former Independent Non-Executive Director

#### Date of Appointment

1 February 2019 (resigned on 28 February 2021)

#### Qualifications

- PhD in Islamic Banking and Finance from the International Centre for Education in Islamic Finance (INCEIF)
- Post Graduate Diploma in Islamic Studies from International Islamic University Malaysia
- Master in Business Administration from California State University Fresno
- Bachelor of Science in Mechanical Engineering from California State University Fresno
- Chartered Professional in Islamic Finance (CPIF)

#### Areas of Expertise

- Islamic Banking & Finance, Human Resource, Strategy, Organisational Transformation, Automotive

#### Relevant Experience

Dr Mohamed Ashraf is the CEO of MindSpring Sdn Bhd, a consulting firm that he started in 2005 specialising in business performance solutions with a keen interest in the performance of knowledge based organisations.

He began his career at Shell Malaysia in 1991 and held various positions in Human Resource, Distribution and Business Re-Engineering. He then moved on to Proton Berhad from 1996 to 1999 where he assumed the positions of Managing Director of Proton Cars (UK) Ltd, Executive Director of Proton Cars (Europe) Ltd and Director of Proton Cars (Australia) Ltd. He then assumed the position of Director of Hay Group, Asia from 1999 to 2002 and Managing Director of Federal Auto Holdings Berhad from 2002 to 2005.

He was previously a Director of HSBC Amanah Malaysia Berhad and Fairview International Schools, the country's largest International Baccalaureate education provider.

He is currently the Chairman of WAAFI Bank Ltd. He is also a Shariah Committee Member of HSBC Amanah Malaysia Berhad.

#### Directorships in Public Companies/ Subsidiaries of Public Companies

- Chairman of Pembangunan Leasing Corporation Sdn Bhd
- Chairman of PLC Credit & Factoring Sdn Bhd
- Chairman of BI Credit & Leasing Berhad

#### Shareholdings in BPMB Group

- Nil

#### Membership of Board Committees in BPMB



#### Declaration

Dr Mohamed Ashraf has no

- Family relationship with any director and/or major shareholder of BPMB.
- Conflict of interest with BPMB and has never been charged for any offence.

# SHARIAH COMMITTEE



## ASSOCIATE PROFESSOR DR AZNAN HASAN

Chairman

### Date of Appointment

1 April 2017

### Qualifications

- Bachelor Degree in Shariah from University of Al-Azhar, Egypt
- Master Degree with distinction, in Shariah from Cairo University, Egypt
- PhD from University of Wales, Lampeter, United Kingdom

### Relevant Experience

Dr Aznan is currently an Associate Professor at the IIUM Institute of Islamic Banking and Finance, International Islamic University of Malaysia. He teaches post-graduate level students and specialises in Islamic Commercial Law, Islamic legal maxims and other related areas of Islamic banking and finance.

Renowned locally and internationally for his extensive experience and involvement in Islamic finance and Shariah advisory, Dr Aznan has served as a Shariah advisor and consultant to various financial institutions, corporate entities, Government agencies and regulatory authorities for approximately 15 years. He was involved in advising and approving various Islamic financial products in the banking, capital market and takaful industries, and is credited with over 40 research papers and more than 100 presentations on Shariah and Islamic finance worldwide.

### Memberships and Other Appointments

- Member of the Association of Shariah Advisors in Islamic Finance
- Deputy Chairman of the Shariah Advisory Council of the Securities Commission Malaysia
- Chairman of the Shariah Committee of Maybank Islamic Berhad



## DR AHMAD BASRI IBRAHIM

Member

### Date of Appointment

1 April 2017

### Qualifications

- Bachelor in Islamic Jurisprudence and Legislation from the University of Jordan, Jordan
- Master Degree in Islamic Revealed Knowledge and Heritage from the International Islamic University of Malaysia
- PhD in Islamic Law from the University of Birmingham, United Kingdom

### Relevant Experience

Dr Ahmad Basri is currently Head of Shariah Management at Permodalan Nasional Berhad (PNB), leading a team on Shariah matters in unit trust fund management. Prior to this, he was an Associate Professor at the Department of Fiqh and Usul Al-Fiqh at the Kulliyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University of Malaysia teaching Usul Al-Fiqh, Islamic Criminal Law, and Introduction to Fiqh.

Having previously served as chairman and member of the Shariah Committee in a number of Islamic financial institutions in Islamic banking and takaful industries, Dr Ahmad Basri possesses extensive experience in Shariah advisory and has received multiple invitations to present research papers and provide training on Shariah and Islamic finance in conferences. His research areas of interest include Islamic law of transactions, Islamic political systems and Islamic legal maxims.

### Memberships and Other Appointments

- Member of the Association of Shariah Advisors in Islamic Finance
- Shariah Committee member of RHB Islamic Bank Berhad



## USTAZ MOHD FADHLY MD YUSOFF

Member

### Date of Appointment

1 April 2017

### Qualifications

- Bachelor Degree in Shariah (First Class) from the University of Malaya, Malaysia

### Relevant Experience

Ustaz Mohd Fadhly currently runs his own business and is also an independent Shariah advisor and consultant. Prior to this, he was a manager with the Islamic Capital Market Department in Securities Commission Malaysia for 12 years, supervising and monitoring Shariah compliance requirements of Islamic product structures in relation to submissions for issuance of Sukuk, structured products, collective investments and Islamic real estate investment trusts. Ustaz Mohd Fadhly was also in charge of research and development activities relating to Islamic capital market products, as well as reviewing and providing consultative input and criteria for the preparation of Islamic securities and capital market guidelines.

Ustaz Mohd Fadhly is an appointed Shariah advisor and consultant for a number of educational, non-governmental organisations and financial institutions. An accredited trainer for Islamic Finance Qualification (IFQ) by the Chartered Institute for Securities and Investment, he is actively involved in reviewing Shariah and Islamic finance curriculums and syllabi for human capital development and training providers.

### Memberships and Other Appointments

- Member of the Association of Shariah Advisors in Islamic Finance
- Shariah Committee member of RHB Islamic Bank Berhad
- Shariah Committee member of Sun Life Malaysia Takaful Berhad

## SHARIAH COMMITTEE



### ASSOCIATE PROFESSOR DR MISZAIRI SITIRIS

Member

#### Date of Appointment

1 October 2008

#### Qualifications

- Bachelor Degree in Islamic Revealed Knowledge and Heritage (Fiqh and Usul Al-Fiqh) from the International Islamic University of Malaysia
- Second Bachelor Degree in Psychology from the International Islamic University of Malaysia
- Master Degree in Fiqh and Usul Al-Fiqh from the International Islamic University of Malaysia
- PhD in Fiqh and Usul Al-Fiqh from the International Islamic University of Malaysia
- Postgraduate Diploma in Law and Administration of Islamic Judiciary from the Harun M. Hashim Law Centre, International Islamic University of Malaysia

#### Relevant Experience

Dr Miszairi is currently an Associate Professor in the Department of Fiqh and Usul Al-Fiqh at the Kulliyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University of Malaysia. He teaches several subjects on Shariah and has written a number of research papers.

In line with his interest on Islamic finance, Dr Miszairi has also supervised postgraduate thesis on takaful. Currently also teaching at IIUM Institute of Islamic Banking and Finance on a part-time basis, Dr Miszairi is occasionally involved as a trainer and facilitator on Shariah subjects in Islamic banking and finance courses and participates actively in Shariah and Islamic finance conferences.

#### Memberships and Other Appointments

- Member of the Association of Shariah Advisors in Islamic Finance



### ASSOCIATE PROFESSOR DR NORAINI MOHD ARIFFIN

Member

#### Date of Appointment

13 June 2012

#### Qualifications

- Bachelor of Science (Econs) in Accounting from the University of Aberystwyth, United Kingdom
- Master Degree in Accounting and Finance with distinction, from the University of Dundee, United Kingdom
- PhD in Accounting for Islamic Banks from the University of Surrey, United Kingdom

#### Relevant Experience

Dr Noraini is currently an Associate Professor in the Department of Accounting, Kulliyah of Economics and Management Sciences, International Islamic University of Malaysia. She teaches several subjects such as Company Accounting, Accounting for Islamic Banks, Accounting, Auditing and Governance of Islamic Financial Institutions and Risk Management for Islamic Financial Institutions at undergraduate and postgraduate levels.

Dr Noraini has published numerous articles related to Islamic risk management, Shariah audit and Shariah governance of Islamic banks, and participated as a speaker at national and international conferences. She co-authored a book entitled 'Accounting for Islamic Banks' and is also one of the writers for a book entitled 'Accounting for Islamic Finance', published by the Malaysian Institute of Accountants. Dr Noraini is actively involved in consultancy projects to develop Islamic banking regulations in a few developing countries and is occasionally involved as a trainer in Shariah audit and accounting for Islamic banking courses.

#### Memberships and Other Appointments

- Treasurer of the Association of Shariah Advisors in Islamic Finance
- Associate Member of the Malaysian Institute of Accountants
- Shariah Committee member of AmMetLife Takaful Berhad
- Shariah Committee member of Amanah Raya Berhad

## SENIOR MANAGEMENT

### EXECUTIVE COMMITTEE

#### CHAIRMAN



**ARSHAD MOHAMED ISMAIL**  
President/Group Chief Executive Officer

#### MEMBERS



**ZULKEFLI MAD KARIM**  
Chief Financial Officer



**MUHAMMAD TAUFIQ ABDUL LATIF**  
Chief Risk Officer



**HILDAH HAMZAH**  
Head, Business Banking Group II



**MUHAMMAD AZRAINI ABDUL HAMID**  
Group Head, Operations



**VIKRAMAN KALIA PURUMAL**  
Acting Group Head, Strategy



**ZARINA NADZIMUDDIN**  
General Counsel and Group Company Secretary



**ZAINUDIN ISMAIL**  
Chief Human Resource Officer

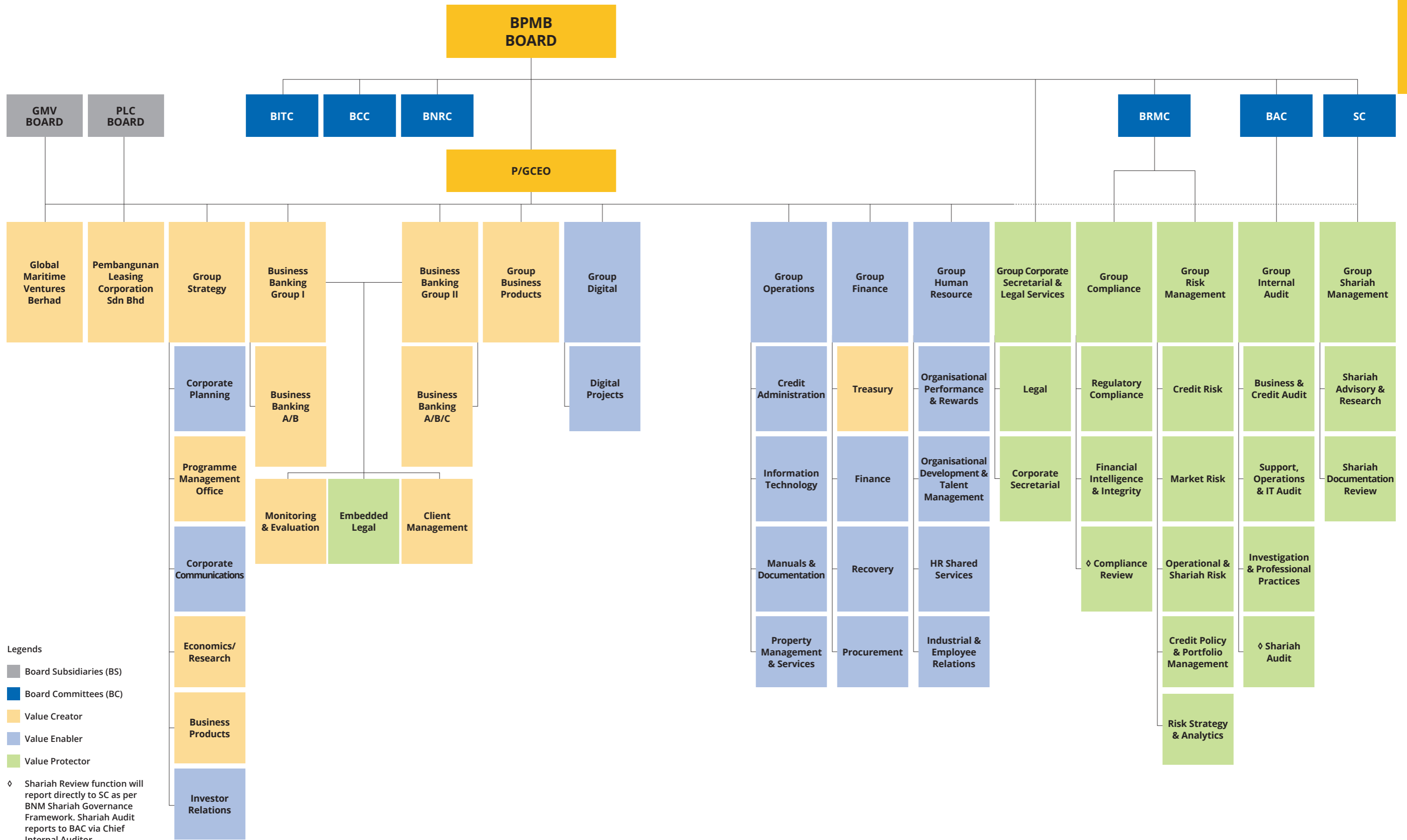


**MUHAMED NOH KADERAN**  
Chief Internal Auditor



**NOOR AIN MOHD. AMIN**  
Acting Head, Group Shariah Management

# GROUP ORGANISATION STRUCTURE



**Legends**

- Board Subsidiaries (BS)
- Board Committees (BC)
- Value Creator
- Value Enabler
- Value Protector

◊ Shariah Review function will report directly to SC as per BNM Shariah Governance Framework. Shariah Audit reports to BAC via Chief Internal Auditor

# STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors (Board) of BPMB is committed to uphold high standards of corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles and best practices of Corporate Governance, Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance, Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan) and primary legislative and regulatory provisions, i.e. Development Financial Institutions Act 2002.

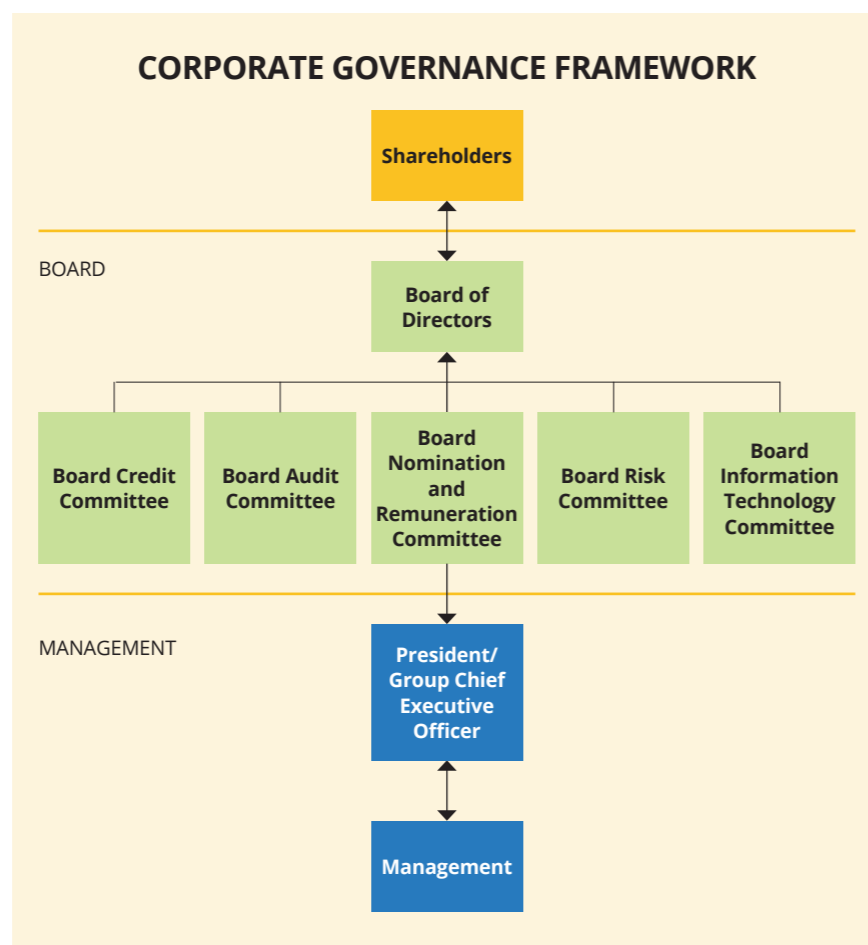
## BOARD COMPOSITION AND BALANCE

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, accumulated while serving the private and government sectors, bring to the Board the essential range of capabilities and experience required to effectively perform its functions. A brief profile of each Director is presented on pages 30 to 35 of the Annual Report.

The Board is also committed to maintaining diversity and inclusion in its composition and decision-making process. In this regard, the Board considers diversity across different aspects, including gender, age, educational background, nationality, professional experience, skills, knowledge and length of service.

As at 30 April 2021, the Board comprises three (3) members with one (1) Non-Executive Chairman/ Independent Non-Executive Director and two (2) Independent Non-Executive Directors. All Independent and Non-Executive Directors are persons of high calibre and integrity with the ability to exercise independent judgement and act in the best interests of the Bank. The high proportion of Independent Non-Executive Directors (INEDs) also provides the necessary checks and balances on executive decisions made by the Management. The Board is satisfied that no individual or group of Directors has unfettered decision-making powers that will create a potential conflict of interest. The appointment of the Non-Independent Non-Executive Director of BPMB is currently on-going.

BPMB is in the process of appointing an Independent Director with finance-related or accounting experience in order to comply with the requirement



prescribed in the BNM Policy Document on Corporate Governance, i.e. at least three (3) directors must have finance-related or accounting experience.

The appointment/reappointment of Directors is governed by the BNM Policy Document on Corporate Governance, BNM Policy on Fit & Proper Criteria, BPMB Policy on Fit and Proper Criteria for the Board of Directors, Shariah Committee (SC) and President/Group Chief Executive Officer (P/GCEO) and the Bank's Constitution. The Board Nomination and Remuneration Committee (BNRC) reviews and

assesses the potential and current Directors' mix of skills, core competencies, experience, integrity and time to effectively discharge his or her role for the purpose of appointments/reappointments before a recommendation is made to the Board for approval. BNRC will also refer to the results of the individual assessments conducted via Directors' Self and Peer Assessment for reappointment of Directors. The application for the appointment/reappointment of Directors will be submitted to BNM for approval.

Key Board Features	Skills and Experience	Nationality	Gender	Age
	<ul style="list-style-type: none"> <li>Banking</li> <li>Accounting</li> <li>Finance</li> <li>Audit</li> <li>Legal and Compliance</li> <li>Transformational Leadership</li> </ul>	Malaysian	Male: 2 Female: 1	50 – 55 years old

## BOARD EVALUATION

The Board has also implemented an annual evaluation of the overall effectiveness of the Board and Board Committees. The Board Effectiveness Evaluation (BEE) for year 2020 was conducted by an external consultant whereby a detailed questionnaire was given to each Director and the P/GCEO with an interview held with each respondent accordingly. The questionnaire covers questions on the experience, qualification and skills of the directors, comprehension of role and responsibilities as members of the Board Oversight Committees, directors' preparedness, contribution and quality of discussions.

This exercise is undertaken upon the completion of every financial year and forms part of the supporting documents for the 'fit and proper' assessment for reappointment of Directors. Feedback and suggestions from the Board will be gathered for deliberation and information of the BNRC and thereafter presented to the Board for consideration and approval on further professional development plans for the Directors and Board.

## DUTIES AND RESPONSIBILITIES

The Board is responsible for setting the policy framework and business strategies to align sustainable business strategies driven by the Management with BPMB's objectives and aspirations, taking into account interests of stakeholders.

There is clear separation of the roles and responsibilities of the Chairman and P/GCEO, in line with best practices to ensure appropriate supervision of the Management. The Board delegates daily operations of the Bank to the

P/GCEO who, with the Management, is accountable to the Board.

The Board is guided by the Board Charter with respect to the Board's duties, functions and powers. The Board Charter is reviewed periodically to incorporate changes to applicable legislations and guidelines. The Board Charter includes, amongst others, the Board's roles and responsibilities on the following matters:

- i) Corporate Governance, Policy and Strategic Matters for the Group;
- ii) Shariah Governance and Compliance;
- iii) Risk Governance and Internal Control;
- iv) Succession Planning; and
- v) Conduct of the Group's business.

There are Board Reserved Matters in the Board Charter, specifically for the Board's decision, including approval of business plans and the annual budget, dividend recommendation, acquisition and disposal of undertakings and properties of substantial values, major investment and financial decisions, as well as changes to the management and control structure within the Group, including policies and delegated authority limits. The Board also approves the Group's plans in relation to managing its climate, sustainability and developmental impact through its purview of the Group's strategy.

Where there is a potential conflict of interest, the Director concerned is required to declare his/her interest and abstain from the deliberation and decision-making process.

[Read more about BPMB's Board Charter at bpmb.com.my](http://bpmb.com.my)

## SHARIAH GOVERNANCE AND COMPLIANCE

The Board's oversight accountability over Shariah governance and compliance must reflect the integration of Shariah governance considerations within the business and risk strategies of BPMB. In fulfilling this role, the Board must:

- i) promote Shariah compliance in accordance with expectations set out in the BNM Policy Document on Shariah Governance and ensure its effective integration with the Bank's business and risk strategies;
- ii) institutionalise a robust Shariah governance framework commensurate with the size, complexity and nature of BPMB;
- iii) approve all policies relating to Shariah governance structure and reporting arrangements, Shariah risk management and other areas that are material to the effective implementation of governance within the Bank, and ensure that such policies are implemented effectively;
- iv) oversee the implementation of BNM Shariah Advisory Council (SAC) rulings and decisions or advice of the SC within all business and functional lines, including any business or risk implications arising from such implementation;
- v) oversee the implementation of the internal control framework to prevent Shariah non-compliance and approve any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah non-compliance;

## STATEMENT OF CORPORATE GOVERNANCE

- vi) oversee the performance of Senior Management and other officers entrusted to implement Shariah governance framework such that the Board is satisfied that the measures of their performance are aligned with Shariah governance objectives;
- vii) promote a sound corporate culture which reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah; and
- viii) continuously develop and strengthen Directors' knowledge and understanding on Islamic finance business as well as keeping Directors' abreast of developments that may impact Islamic financial business, in order to fulfil their responsibilities to BPMB.

The P/GCEO holds overall executive responsibility in ensuring the day-to-day operations of BPMB Group are effectively and appropriately managed. P/GCEO serves as the conduit between the Board and Management in ensuring the success of BPMB Group's governance and management functions. The role of the P/GCEO includes the following:

- i) Implementing business and risk strategies, remuneration and other policies in accordance with the approved business strategies and funding plan as endorsed by the Board;
- ii) Promoting, together with the Board, a sound corporate culture within BPMB which reinforces ethical, prudent and professional behaviour;
- iii) Addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner;
- iv) Regularly updating the Board with material information the Board needs to carry out its oversight responsibilities;

- v) Ensuring that, in leading Senior Management, the Group's Islamic finance operations, business, affairs and activities comply at all times with Shariah requirements;
- vi) Serving as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions;
- vii) Ensuring the Board's decisions are implemented and the Board's directions are responded to;
- viii) Providing direction in the implementation of both short-term and long-term business plans;
- ix) Providing strong leadership that effectively communicates sound and viable vision, management philosophy and business strategy to the employees; and
- x) Ensuring the day-to-day business affairs of the Group are effectively and appropriately managed.

Via the relevant Management Committees, the P/GCEO promotes a sound corporate culture within BPMB Group which reinforces ethical, prudent and professional behaviour and addresses any breaches or potential breaches of prudential regulation and steps to be taken to ensure that the underlying root causes of any regulatory/internal control failures are identified and addressed.

### CODE OF ETHICS AND BUSINESS CONDUCT FOR BOARD OF DIRECTORS AND SHARIAH COMMITTEE

BPMB has adopted a Code of Ethics and Business Conduct for the Board of Directors and Shariah Committee that sets out sound principles and standards of good practice in the banking industry. Directors are expected to maintain a good reputation for ethical behaviour and fair dealings in the conduct of business and are expected to conduct the business of BPMB Group in a professional manner.

#### Whistleblowing Policy

The Group is dedicated to upholding Malaysia's Anti-Corruption Principles in

promoting integrity, transparency and good governance in all aspects of its business when we signed the Corporate Integrity Pledge on 26 September 2016. As such, our Whistleblowing Policy is designed to allow individuals to whistleblow on issues of serious concern they encounter. These include bribery, corruption, conflict of interest, fraud, abuse of power or other issues that have a reputational risk to the Group. The policy also extends the necessary protections to the whistleblower in line with the Whistleblower Protection Act 2010. An external independent party administers a platform known as Halo that provides a feedback channel to all BPMB staff. Halo provides 5 modes of communication for staff to disclose any concerns via a toll-free telephone number, website, email, facsimile and post. All of these serve to complement the Group's governance framework and ensure legitimate concerns can be objectively evaluated and addressed.

### BOARD MEETING AND SUPPLY OF INFORMATION

As per the BNM Policy on Corporate Governance, the Board is required to meet at least once every two months to discuss and monitor amongst others, the overall conduct and performance of the Bank, including matters relating to financials, policies, strategies, performance and resources. Approvals on urgent or important business issues requiring the sanction of the Board are sought by convening Special Board meetings or by way of Circular Resolutions enclosing all relevant information to enable the Board to make informed decisions. All Circular Resolutions approved by the Board will then be tabled at the next Board meeting for notation.

Meetings of the Board and Board Oversight Committees are scheduled in advance prior to the commencement of a new financial year. The meeting calendar is circulated to all Directors to enable them to plan ahead. The agenda for each Board/Board Oversight Committee meeting and papers relating to the matters to be deliberated at the meetings are forwarded to all Directors prior to the date of the Board/Board Oversight Committee meetings.

The Board also peruses the deliberations and decisions made by the Board Oversight Committees through the meeting minutes of the Board Oversight Committees, which will be tabled at the Board meetings. The Chairman of each Board Oversight Committee is responsible for informing the Directors during the Board meetings of any salient matters noted by the Board Oversight Committees requiring the Board's attention or direction. All proceedings of Board meetings are minuted and signed by the Chairman in accordance with the provisions of the Companies Act, 2016.

All Directors have direct access to the services of the Company Secretary's Office and Senior Management. Independent professional advice is also made available to the Directors in discharging their duties, in the event such services are required.

During the financial year ended 31 December 2020, the Board met 22 times. The attendance record of the Directors at Board Meetings for 2020 is as follows:

Name of Director	No. of Meetings and Attendance
<b>Datuk Zaiton Mohd Hassan</b> Non-Executive Chairman/Independent Non-Executive Director	22/22
<b>Tan Lye Sim</b> Independent Non-Executive Director (ceased w.e.f. 15 September 2020)	11/14*
<b>Tan Sri Dr Rahamat Bivi Yusoff</b> Independent Non-Executive Director (ceased w.e.f. 1 October 2020)	13/16*
<b>Dato' Othman Semail</b> Non-Independent Non-Executive Director	19/22
<b>Dr Mohamed Ashraf Mohamed Iqbal</b> Independent Non-Executive Director	22/22
<b>Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah</b> Independent Non-Executive Director	22/22
<b>Ariff Rozhan</b> Independent Non-Executive Director	22/22
<b>Norazilla Md Tahir</b> Independent Non-Executive Director (appointed w.e.f. 14 August 2020)	10/10*

\* Reflects the number of meetings attended during the time the Director held office.

## BOARD'S DELIBERATIONS

### KEY MATTERS DISCUSSED BY THE BOARD

Key areas/matters reviewed, deliberated and approved by the Board during FY2020 include the following:

#### Strategy:

- Disposal of 183,945,700 Ordinary Shares of RM0.25 each in Malaysian Bulk Carriers Berhad
- Approval of new Policy on Monitoring and Evaluation of Financing Transactions
- Approved Statement of Corporate Intent (SCI) and Annual Funding Requirement (AFR) for Financial Year 2020 and 2021
- Issuance of RM1.2 billion of BPMB Sukuk under Project Hijrah for partial prepayment of conventional borrowings from Employees Provident Fund
- Progress Update of 3-Year Strategic Plan 2020-2022
- Review of climate-related/sustainability/developmental impact

with particular focus on ethical banking, green financing and reaching the unserved and underserved sectors.

#### Financial Performance

- Approval of Project Hijrah involving the transfer of neutral and Islamic instrument Statement of Financial Position items to Islamic Book

#### Governance:

- Approval of revisions to the Board Charter, Code of Ethics and Business Conduct, and Fit and Proper Criteria for the Board, SC and P/GCEO
- Credit Value Chain (CVC) Result Measurement Dashboard, Process Comparison and Application of CVC Improvements
- Election of BNM Framework for Development Financial Institutions and BNM Policy Document on Transitional Arrangements for Regulatory Capital Treatments of Accounting Provisions for Development Financial Institutions

#### COVID-19 Response:

- Appraisal of Risk Weighted Capital Ratio and Cost-Bearing Liabilities Analysis
- Approval of counter-cyclical measures as part of review on DFI counter-cyclical role

#### Risk Management & Compliance:

- Approval of alternate site for BPMB
- Financial simulation impact on the proposed modification of BNM Guidelines on Development Financial Institutions Financial Reporting

#### Information Technology:

- Establishment of Technology Risk Management Framework and Cyber Resilience Framework
- Approval of MIS Roadmap and the Way Forward

#### Culture & Values:

- Community Adoption Programme
- Top Team Effectiveness and Coaching Programme for GMC members



STATEMENT OF CORPORATE GOVERNANCE

**STRATEGY**

- Approved Disposal of 183,945,700 Ordinary Shares of RM0.25 Each in Malaysian Bulk Carriers Berhad Held by BPMB
- Approved New Policy on Monitoring and Evaluation of Financing Transaction
- Received Progress Update of 3-Year Strategic Plan 2020 – 2022
- Approved Statement of Corporate Intent (SCI) and Annual Funding Requirement (AFR) for Financial Year 2020 and 2021
- Approved Project Hijrah: Issuance of RM 1.2 Billion of Bank Pembangunan Malaysia Berhad Sukuk (BPMB Sukuk) to Partially Prepay Conventional Borrowings from Employees Provident Fund (EPF)

**FINANCIAL PERFORMANCE**

- Regularly reviewed BPMB & its subsidiaries Financial Results (Monthly Management Report, Quarterly, Half Yearly & Yearly)
- Approved Budget 2020 for Revised 2020 Balance Scorecard
- Approved Election of Bank Negara Malaysia Modified Framework for Development Financial Institutions
- Approved BPMB and Its Subsidiaries – 2020 Audit Plan and Timeline
- Approved Project Hijrah: Transfer of Neutral and Islamic Instrument Statement of Financial Position Items to Islamic Book
- Approved Business Plan and Budget 2021
- Promoted SC-BOD Engagement Session – ‘Structural Solution in the Treatment of Shariah Non-Compliant Income: Development Financial Institution’s Perspective’
- Approved Election of BNM’s Policy Document on Transitional Arrangements for Regulatory Capital Treatments of Accounting Provisions for Development Financial Institutions

**INFORMATION TECHNOLOGY**

- Reviewed Data Governance Framework for BPMB Group
- Approved MIS Roadmap and the Way Forward
- Approved Establishment of Technology Risk Management Framework and Cyber Resilience Framework

**GOVERNANCE**

- Approved Revision to the Board Charter, and the Code of Ethics and Business Conduct for Board of Directors and Shariah Committee
- Approved Revision to the Fit and Proper for Board of Directors, Shariah Committee and President/Group Chief Executive Officer
- Appraised Whistleblowing Policy
- Reviewed Membership of Board & Board Oversight Committees and Subsidiary of BPMB
- Reviewed BPMB’s Authority Matrix
- Appraised Credit Value Chain (CVC) Result Measurement Dashboard, Process Comparison and Application of CVC Improvements

**RESPONSE TO COVID-19**

- Considered Economic Impact of COVID-19
- Deliberated Simulation of Financial Impact Arising from 6 Months Moratorium and COVID-19 Outbreak
- Approved Countercyclical Measures of BPMB
- Promoted Business Continuity Management, Crisis Management and COVID-19 (Briefing Session by Dr Goh Moh Heng, President BCM Institute)
- Appraised Risk Weighted Capital Ratio Analysis
- Reviewed Development Bank’s Counter-Cyclical Role
- Appraised Analysis of Cost-Bearing Liabilities

**RISK MANAGEMENT & COMPLIANCE**

- Approved Financial Simulation Impact on the Proposed Modification of Bank Negara Malaysia Guidelines on Development Financial Institutions Financial Reporting
- Considered and Approved Alternate Site for BPMB
- Received Status Update on Risk Appetite Statement and Tolerance Level
- Received Quarterly Group Stress Test Results

**CULTURE, VALUE**

- Promoted Community Adoption Programme
- Received Regular Updates on Top Team Effectiveness and Coaching Program for GMC Members

**TRAINING AND DEVELOPMENT OF DIRECTORS**

All newly appointed Directors are required to attend FIDE Core Programme Modules A and B, the Islamic Finance for Board of Directors Programme and an induction programme organised by the Management. Directors will be introduced to the Management team and briefed on the Bank’s history, operations and financial performance to provide them first-hand understanding of the Bank’s operations. At the induction programme, Heads of Functions and Chief Executive Officers (CEO) of the main subsidiaries will brief newly appointed Directors on their areas of responsibilities in order to offer the Directors background knowledge of the Bank and establish personalised interaction with key individuals in Senior Management.

The Board keeps abreast of the latest developments in the banking industry by attending relevant conferences and seminars held in Malaysia and abroad for their continuing professional education. The Bank also encourages its Directors to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

Seminars/conferences/training programmes attended by the Directors in the financial year ended 31 December 2020 included the following:

- FIDE Core Programme Module A
- FIDE Core Programme Module B
- Islamic Finance for Board of Director Programme
- FIDE Elective: Emerging Risks, the future Board and return on Compliance
- Anti-Money Laundering / Counter Financing of Terrorism – Banking Sector

**DIRECTORS’ REMUNERATION**

BPMB acknowledges the importance of attracting and retaining qualified Directors with high calibre and possessing the necessary qualifications, skills, expertise and experience for effective functioning of the Board.

The remuneration package for Non-Executive Directors (NEDs) is generally commensurate with the expertise, skills, responsibilities and the risks undertaken by the NEDs concerned. All NEDs are paid a fixed monthly director’s fee and meeting attendance allowance for each Board and Board Oversight Committee meeting attended. In addition, NEDs also receive other benefits-in-kind including Directors & Officers Liability Insurance and medical benefits. Remuneration of NEDs is decided by shareholders.

A summary of the total remuneration of the Directors for the financial year ended 31 December 2020 is set out on page 160 of this Annual Report.

**COMMITTEES**

There are five (5) Board Oversight Committees established to assist the Board in discharging its duties and responsibilities. These are the Board Credit Committee, Board Audit Committee, Board Nomination and Remuneration Committee, Board Risk Management Committee and Board Information Technology Committee.

**BOARD CREDIT COMMITTEE**

**Objective**

The primary objective of the Board Credit Committee (BCC) is to provide a supervisory and oversight role on all loans/financings/credit-related proposals and investment as per the limit set in BPMB’s Approving Authority Matrix (AA), and to ensure adequate risk management processes are in place and functioning effectively.

**Functions and Responsibilities**

- To deliberate, review and, if necessary, exercise the rights to veto, challenge, reject the Group

Credit Committee’s (GCC) approvals/decisions on all loans/ financings/ credit-related proposals and investment including the proposed terms and conditions or any variations thereof as per the limit and authority set in AA.

- To approve and/or endorse “policy loans/financing” and loans/financing, which are required by statute to be approved by the Board, provided that the initial filter of approval is conducted by GCC.
- To approve all cases of write-offs proposals from BPMB and as prescribed in AA. The BPMB Board shall be notified on all write-off proposals approved by BCC via minutes of the BCC meeting.
- To approve the Terms of Reference (TOR) of GCC. However, the appointment and/or termination of GCC members shall be at the absolute discretion of the Chairman of GCC.
- To perform the credit risk oversight role in a manner that is not compromised and without undue influence from any party.
- To approve and/or endorse any other matters as prescribed in AA.
- To consider any other matters as referred by BPMB Board to BCC.

**Committee Meeting and Attendance**

Based on the TOR of the BCC, BCC may meet twice a month and for any additional ad hoc meetings as and when required. BCC met 13 times during FY2020. The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
<b>Dr Mohamed Ashraf Mohamed Iqbal</b> Chairman	13/13
<b>Datuk Zaiton Mohd Hassan</b>	13/13
<b>Dato’ Othman Semail</b>	8/13
<b>Dato’ Wan Mohd Fadzmi Che Wan Othman Fadzilah</b>	13/13

\* Reflects the number of meetings attended during the time the Member held office.

## STATEMENT OF CORPORATE GOVERNANCE

### BCC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BCC during FY2020 include the following:

- Conditions and criteria for moratorium on repayment/ payment of loans/financing due to the COVID-19 pandemic.
- To adopt a 'six (6) filters' methodology for financing approval, as follows:
  - Demonstrate a clear understanding of the underlying profitability drivers of the category for the project.
  - Link macro-economic analysis to category profitability drivers to understand the longer-term behaviour of the category.
  - Articulate the development impact of the proposal.
  - Provide an appropriate financing structure that is responsive to category idiosyncrasies.
  - Evidence the integrity, credibility and capability of the proponents to ensure project success.
  - Affirm all risk safeguards (financial and non-financial) are in place.

### BOARD AUDIT COMMITTEE

#### Objective

The objective of the Board Audit Committee (BAC) is to provide independent oversight to review the financial conditions of BPMB and the Group's financial reporting processes and internal controls, ensure checks and balances within BPMB Group, review the performance and findings of the internal auditors and recommend appropriate remedial action regularly.

#### Functions and Responsibilities

The duties and responsibilities of BAC include the following:

- Recommend to the Board each financial year, the appointment/

reappointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors;

- With regard to the External Auditors:
  - a. To recommend to the Board, the appointment, removal and remuneration of the External Auditor;
  - b. To monitor and assess the independence of the External Auditors including by approving the provision of non-audit services by the External Auditors;
  - c. To review the audit plan and audit report, monitor and assess the effectiveness of the external audit, including meeting with the External Auditors without the presence of Senior Management at least annually;
  - d. To ensure that Senior Management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations in their Management Letter and Management Response; and
  - e. To maintain regular, timely, open and honest communication with the External Auditors, and requiring the External Auditors to report to the BAC on significant matters.
- With regard to the Internal Audit function:
  - a. To review the adequacy of the scope, functions and resources of the Group Internal Audit function and Audit Charter, and that it has the necessary authority to carry out its responsibilities;
  - b. To review and approve the internal audit plan, programme, processes, scope, procedures and frequency;

- c. To review key audit reports (including reports on internal controls, risk management processes, compliance with statutory requirements and governance practices) and ensure that Senior Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by Group Internal Audit and other control functions;
  - d. To recommend to BNRC and/or the Board, the appointment, remuneration package, performance evaluation and termination of the Chief Internal Auditor;
  - e. To review the effectiveness of the Internal Audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards;
  - f. To review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Shariah Committee and the Board;
  - g. To note significant disagreements between the Chief Internal Auditor and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
  - h. To establish a mechanism to assess the performance and effectiveness of the Group Internal Audit function.
- To receive and consider reports relating to the perpetration and prevention of fraud.

- To review the Bank's compliance with related Government regulations including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures annually.
- To review the quarterly result, half-yearly result and the year-end Audited Financial Statements prior to submission to the Board for approval. The review of the year-end Audited Financial Statements by the External Auditor shall focus particularly on:
  - a. any major changes in the accounting policy or its implementation;
  - b. adequacy of allowance against contingencies, bad and doubtful debts;
  - c. significant and unusual events; and
  - d. compliance with accounting standards and other legal requirements.
- To ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of the Audited Financial Statements.
- To discuss any problem or reservations that may arise from the interim and final audits as well as any matter which the External Auditors may wish to discuss, in the absence of Management, where necessary.
- To review and update the Board on all related party transactions and conflict of interest situations that may arise in the Bank or BPMB Group including any transaction, procedure or conduct that raises questions of management integrity.
- To review the accuracy and adequacy of the following documents:
  - a. Chairman's Statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements

in relation to the preparation of financial statements and other BAC reports that contain the following information, which shall be published in the Bank's Annual Report:

- i. A summary of the activities of the BAC in the discharge of its functions and duties for the financial year; and
  - ii. A summary of the activities of the Group Internal Audit function.
- b. Interim financial reports and preliminary announcements in relation to the preparation of Audited Financial Statements.
  - To review and endorse the status and progress of Management's responses and corrective measures on issues raised in the BNM Examination Report, prior to submission to the Board for approval.
  - To inform the Board on the issues and concerns discussed during its Meetings, including those raised by the External Auditors and where appropriate, make the necessary recommendations to the Board.

- To deliberate investigation reports in relation to whistleblowing cases and decide on actions to be taken in accordance with Group Human Resource (HR) policy.
- To approve the TOR and appointment and/or termination of Members of Management Audit Committee.
- To consider any other matters as referred by the BPMB Board to BAC.
- To monitor compliance with the Board's conflicts of interest policy.
- To review third-party opinions on the design and effectiveness of the Group's internal control framework.

### Committee Meeting and Attendance

Based on the TOR of the BAC, BAC shall meet at least four (4) times a year and at any ad-hoc meetings as and when required. BAC met six (6) times during FY 2020. The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
<b>Norazilla Md Tahir</b> Chairperson (appointed as Member with effect from 27 August 2020 and re-designated from Member to Chairperson w.e.f. 28 September 2020)	2/2*
<b>Datuk Zaiton Mohd Hassan</b>	6/6
<b>Tan Lye Sim</b> (ceased as member with effect from 15 September 2020)	4/4*
<b>Ariff Rozhan</b>	6/6
<b>Tan Sri Dr Rahamat Bivi Yusoff</b> Chairperson (ceased as Chairperson with effect from 28 September 2020)	4/4*

\* Reflects the number of meetings attended during the time the Member held office.

## STATEMENT OF CORPORATE GOVERNANCE

### BAC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BAC during FY2020 include the following:

- Approval of the Internal Audit Plan
- Endorsement of the Group Internal Audit Balanced Scorecard
- Review of TOR of BAC
- Endorsement of the appointment of a consultant for a Quality Assurance Review on Group Internal Audit of BPMB
- Endorsement of the interim unaudited financial statements and the financial statements for the financial year ended 31 December 2020
- Assessment of "The function effectiveness in discharging its duties" KPI for Group Internal Audit
- Endorsement of the performance evaluation of the Chief Internal Auditor and employees at C-2 positions in Group Internal Audit
- Updates on New Audit issues and Outstanding Audit Issues from previous Internal Audit Reports
- Status update on Bank Pembangunan Malaysia Berhad and Its Subsidiaries – Memorandum of Recommendation (MOR)

### BOARD NOMINATION AND REMUNERATION COMMITTEE

#### Objective

The objectives of the Board Nomination and Remuneration Committee (BNRC) are to provide:

- a formal and transparent procedure for the appointment and/or reappointment as well as to assess the effectiveness of Key Responsible Persons and the Company Secretary; and
- a formal and transparent procedure for developing a

remuneration policy for Key Responsible Persons and the Company Secretary and ensuring that compensation is competitive and consistent with BPMB Group's culture, objectives and strategies.

'Key Responsible Persons' refer to persons who are accountable or responsible for the management or oversight of BPMB Group. These comprise:

- the Board of BPMB and its subsidiaries (the Group),
- members of the SC,
- the P/GCEO and CEOs of major subsidiaries; and
- Senior Officers.

#### Functions and Responsibilities

The functions and responsibilities of the BNRC, amongst others, are as follows:

##### Nomination Function

- Establish and recommend to the Board for approval, the minimum required skills, experience, qualification and core competencies of a Director on the Board and the P/GCEO in order for them to perform their responsibilities effectively.
- Oversee the overall composition of the Board (BPMB and major subsidiaries), Board Oversight Committees and SC in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive and Independent Directors through annual reviews.
- Recommend and/or assess nominees for the appointment, reappointment or resignation of the Board of Directors (BPMB and its major subsidiaries), P/GCEO, Board Oversight Committees and SC Members for the Board's approval. The proposed appointment or reappointment of BPMB Board/SC Members will require BNM's verification on meeting the necessary 'fit and proper' criteria

and the Minister of Finance's final approval, as the case may be.

- Assess and determine annually whether a Director fulfils the criteria of being an Independent Director.
- Establish a mechanism for the formal assessment on the effectiveness of the Board as a whole, the contribution of each Director to the effectiveness of the Board, the contribution of the Board Oversight Committees including SC Members and the performance of the P/GCEO, CEOs of major subsidiaries, Senior Officers and the Company Secretary. The annual assessment should be conducted based on objective performance criteria, as approved by the Board.
- Assess annually whether the Directors and P/GCEO are not disqualified under Section 7 of the Development Financial Institutions Act 2002 and recommend to the Board, the removal of a Director or the P/GCEO if he/she is ineffective, errant or negligent in discharging his/her responsibilities.
- Ensure that all Directors and SC Members undergo the appropriate induction programme and receive continuous training in order to keep abreast of the latest developments in the industry.
- Assess the performance of the P/GCEO before submission to the Board of BPMB for approval.
- Oversee/recommend the following matters in relation to Senior Officers and the Company Secretary for the Board's approval:
  - New appointment/recruitment
  - Reappointment
  - Renewal/non-renewal of contract
  - Conversion of employment status
  - Secondment to subsidiaries

- Management succession planning
- Performance evaluation

For new appointments, the P/GCEO is given the authority to assess and evaluate candidates, negotiate and determine the salary, benefits and terms and conditions of service for the positions of Senior Officers and the Company Secretary. Thereafter, it would be tabled to BNRC for recommendation and the Board for approval.

The appointment/recruitment, reappointment, performance evaluation of CEOs of major subsidiaries and management succession planning of the subsidiaries shall be tabled to the Board of the respective subsidiaries first prior to BNRC for endorsement and Board approval.

- Recommend to the Board the removal of Senior Officers and the Company Secretary if they are ineffective, errant or negligent in discharging their responsibilities.
 

The removal of CEOs of major subsidiaries shall be tabled to the Board of Directors of the respective subsidiaries first, prior to BNRC for endorsement and the Board of BPMB for approval.
- Recommend the appointment and removal of Board Directors, external Directors or Management Staff as Directors in the subsidiaries/associated companies (excluding JV-SOCs of Global Maritime Ventures Berhad).
- Conduct 'fit and proper' assessment on Key Responsible Persons and the Company Secretary on a yearly basis to determine if the 'fit and proper' criteria continue to be met, to ensure the effectiveness of the Key Responsible Persons and the Company Secretary in carrying out his/her responsibilities. A 'fit and proper' assessment is to be conducted

should BNRC become aware of information on any Key Responsible Persons and the Company Secretary, which may materially compromise his/her fitness or propriety.

##### Remuneration Function

- Ensure that the overall remuneration system must –
  - be subject to the Board's active oversight to ensure that the system operates as intended;
  - reflect the mandate of BPMB and align with the business, risk strategies and development priorities, corporate values and long-term interests of BPMB Group;
  - promote prudent risk-taking behaviour and encourage individuals to act in the interests of BPMB Group as a whole, taking into account the interests of its customers and long-term financial sustainability of BPMB Group without recourse to the Government;
  - accord appropriate emphasis to BPMB Group's developmental outcomes taking into account demonstration, design and policy additionalities in addition to financing outcomes; and
  - be designed and implemented with input from the control functions and the Board Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.
- Recommend the remuneration policy of BPMB and conduct periodic review, including when material changes are made to the policy for the Board's approval. The overall remuneration policy should be sufficiently competitive to attract, nurture and retain high

quality talents to deliver BPMB Group's mandate successfully. The policy should consider the different skill sets, knowledge and experience required to support the business and risk strategies of BPMB Group.

- Assess and recommend the emoluments and benefits of Board members, Board Oversight Committee members, SC members, P/GCEO, CEOs of major subsidiaries, Senior Officers and the Company Secretary for the Board's approval subject to BPMB's Constitution and Ministry of Finance Inc.'s approval, where applicable.
- Endorse the remuneration for each Director, member of Senior Management and other material risk takers annually for the Board's approval. BPMB shall maintain and regularly review a list of officers who fall within the definition of "other material risk takers".
- Endorse the remuneration and benefits for the Directors of BPMB subsidiaries based on recommendation by BNRC for the Board's approval. The same shall be forwarded to MOF Inc. for notification.
- Assess and endorse the salary structure framework for employees in executive grades and above for the Board's approval. The salary structure is subject to the final approval of MOF Inc.
- Assess and recommend the Terms of Services and new Terms for Executives and staff of BPMB Group including the Collective Agreement between the Bank and the Union for the Board's approval. The terms of the Collective Agreement are subject to the final approval of MOF Inc.
- Assess and recommend the proposed annual bonus payment for the P/GCEO. The payment is subject to the final approval of MOF Inc.

## STATEMENT OF CORPORATE GOVERNANCE

- Assess and recommend the pool for annual bonus/annual incentive/annual ex-gratia and the payment of the annual bonus/annual incentive/annual ex-gratia for employees and other material risk takers or other group-wide performance-related rewards and annual increment of the Group. The pool for annual bonus/annual incentive payment/annual ex-gratia payment is subject to the final approval of MOF Inc.
- Recommend the separation schemes for the Board's approval and thereafter for MOF Inc's final approval.

### Human Resource (HR) Oversight Function

- Review and assess the effectiveness of Group HR in supporting the Group to achieve its objectives, including ensuring that the appropriate HR strategies, policies and frameworks for high quality and effective HR management for the Group (e.g. succession planning, talent and leadership development, training, recruitment and retention programmes, compensation and benefits plan etc.) are developed, implemented and periodically reviewed.
- Review and recommend for the Board's approval, changes to Group HR policies and strategies and Organisational Structure of the Group.
- Endorse HR-related matters as prescribed in the Approving Authority Structure for Group HR.
- Consider any other matters as referred by the Board of BPMB to BNRC.

### Committee Meetings and Attendance

Based on the TOR of the BNRC, BNRC shall meet at least four (4) times a year to fulfil its responsibilities. BNRC met eight (8) times during the financial year 2020.

The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
<b>Ariff Rozhan</b> Chairman (re-designated from Member to Chairman of BNRC w.e.f. 28 September 2020)	8/8
<b>Dato' Othman Semail</b>	6/8
<b>Dr Mohamed Ashraf Mohamed Iqbal</b>	8/8
<b>Norazilla Md Tahir</b> (appointed as Member of BNRC w.e.f. 26 November 2020)	1/1*
<b>Tan Sri Dr Rahamat Bivi Yusoff</b> (ceased as Chairperson w.e.f 28 September 2020)	5/6*
<b>Datuk Zaiton Mohd Hassan</b> (resigned as Member of BNRC w.e.f. 26 November 2020)	7/7*

\* Reflects the number of meetings attended during the time the Member held office.

### BNRC's Deliberations

Areas/matters reviewed, deliberated and approved by BNRC during FY2020 included the following:

#### SUCCESSION PLANNING

- Relating to the appointment of Directors, Nominee Directors, Senior Officers and SC members
- The reappointment of Directors and SC members

#### GOVERNANCE

- Revision to the Board Charter, and Code of Ethics and Business Conduct for the Board and SC
- Formation of Board Information Technology Committee (BITC)
- Revision to the Fit and Proper Policy for the Board, SC and P/GCEO
- Gap Analysis with regard to the Board's Responsibilities as stated in the BNM Policy Document on (I) Shariah Governance; and (II) Outsourcing Plan
- Review of Membership of Board Oversight Committees and subsidiaries of BPMB
- Review of the Composition and Competencies of the BPMB Board

#### PERFORMANCE

- The performance of Directors through an annual assessment, i.e. Annual Fit & Proper Assessment for Directors
- Review of Directorships in BPMB subsidiaries
- The performance of the P/GCEO and Senior Vice Presidents (SVP) and above through the FY2020 Balanced Scorecard and FY2019 Year End Performance Assessment respectively.

#### REMUNERATION

- Total rewards (bonus and salary increment) for the Group
- One-off Financial Assistance of RM300 per eligible staff in response to the Government's Call on the Private Sector to support its endeavours in the Implementation of the Economic Stimulus Package
- Review of minimum salary range

#### OTHERS

- Job Rotation Guideline for employees in high-risk positions
- Competency framework and assessments
- Consequence management

## BOARD RISK MANAGEMENT COMMITTEE

### Objective

The primary objective of the Board Risk Management Committee (BRMC) is to oversee the activities of Senior Management in managing the key risk areas of BPMB and the Group and to ensure that risk management processes are in place and functioning effectively.

### Functions and Responsibilities

The duties and responsibilities of BRMC include the following:

- To provide oversight and strategic direction for the management of all risks in BPMB.
- To review and recommend risk management strategies (e.g. development of new products, ventures into new market or business activities, product pricing strategies, planning of technology, skills and resources required), policies and risk tolerance appropriate to the nature, scale and complexity of BPMB Group's activities for the Board's approval.
- To review and assess adequacy of BPMB Group's risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- To ensure infrastructure, resources and systems are in place for risk management, that is, ensuring that staff responsible for implementing risk management systems perform those duties independently of BPMB Group's risk-taking activities.
- To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- To provide effective oversight of Senior Management's actions to ensure consistency with the risk

strategy and policies approved by the Board, including the risk appetite framework and implementation.

- To meet with BAC periodically, to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on BPMB's risk appetite and business plans.
- To seek independent third-party views or information on risk implications as appropriate before coming to any conclusion or making any significant policy recommendation.
- To consider how risks associated with BPMB's operational and organisational structures affects its ability to manage risks on an enterprise-wide and group-wide basis and the implications for capital and funding strategies.
- In relation to the position of Chief Risk Officer (CRO), BRMC is required to:
  - establish an independent senior risk executive role (CRO or its equivalent) who has direct and unimpeded access to the Board and BRMC and to allow for effective engagement with the P/GCEO and other members of Senior Management with sufficient stature, authority, seniority and distinct responsibility for the Group Risk Management function and framework across the entire organisation;
  - recommend to BNRC and/or the Board, the appointment, performance evaluation and termination of the CRO;
  - engage CRO on a regular basis and provide the opportunity for CRO to meet with BRMC and discuss issues faced by the Group Risk Management function;
  - in relation to item (c) above, BRMC may consider

engaging CRO without the presence of other Senior Management individuals from time to time; and

- ensure that CRO is supported with sufficient resources, including competent officers, to perform his/her duties effectively.
- In relation to the position of Chief Compliance Officer (CCO), BRMC is required to:
  - recommend to BNRC and/or the Board, the appointment, remuneration package, performance evaluation and termination of the CCO;
  - ensure that CCO has sufficient stature to allow for effective engagement with the P/GCEO and other members of Senior Management;
  - engage CCO on a regular basis and provide the opportunity for CCO to meet with BRMC and to discuss issues faced by the Group Compliance function;
  - in relation to item (c) above, BRMC may consider engaging CCO without the presence of other Senior Management individuals from time to time;
  - provide CCO with direct and unimpeded access to BRMC;
  - ensure that CCO is supported with sufficient resources, including competent officers, to perform his/her duties effectively; and
  - where CCO also carries out responsibilities with respect to other control functions (if any), be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by CCO.

## STATEMENT OF CORPORATE GOVERNANCE

- To oversee the management of BPMB Group's compliance risk. In order to fulfil this duty, BRMC is required to:

- approve BPMB Group's compliance policy and oversee its implementation;
- approve the establishment of the Compliance function and the position of the CCO, and ensure that the Compliance function and the CCO are provided with appropriate standing, authority and independence;

- discuss compliance issues regularly, ensuring that adequate time and priority is provided in BRMC's agenda to deliberate on compliance issues and that such issues are resolved effectively and expeditiously; and

- evaluate the effectiveness of BPMB Group's overall management of compliance risk, having regard to the assessments of Senior Management and Group Internal Audit, as well as interactions with CCO at least on an annual basis.

- To deliberate on investigation reports in relation to whistleblowing cases and decide on actions to be taken on the alleged individuals in accordance with Group HR policy.

- To approve the appointment and/or termination of members and TOR of Management Risk Committee and Asset & Liability Committee.

- To consider any other matters as referred by the BPMB Board to BRMC.

### Committee Meetings and Attendance

Based on the TOR of the BRMC, the BRMC shall meet once in every two months. GRMC met nine (9) times during the financial year 2020. The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
<b>Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah</b> Chairman (re-designated from Member to Chairman w.e.f. 28 September 2020)	9/9
<b>Datuk Zaiton Mohd Hassan</b>	9/9
<b>Dr. Mohamed Ashraf Mohamed Iqbal</b>	8/9
<b>Norazilla Md Tahir</b> (appointed as Member w.e.f. 27 August 2020)	5/5*
<b>Tan Lye Sim</b> Chairperson (ceased as Chairperson w.e.f. 15 September 2020)	3/3*

\* Reflects the number of meetings attended during the time the Member held office.

### BRMC's Deliberations

Areas/matters reviewed, deliberated and approved by BRMC during FY2020 included the following:

- Risk Dashboard (Credit Portfolio Report, Asset/Liability & Liquidity Management Report and Operational Risk Management Report)
- BNM Composite Risk Rating
- Status Update on Risk Appetite Statement and Tolerance Level
- Group Stress Test result
- Review of the Internal Capital Adequacy Assessment Process Framework and New Internal Capital Target
- Outsourcing Plan
- Independent Review Report on Compliance with Paynet's Participation Rules and Operational Procedures
- Compliance Risk Assessment 2019 And Heat Map
- Environmental Conservation Subsector as at 31 December 2019: Status and Analysis of Renewable Energy Sub-Subsector
- Gap Analysis Exercise – Business Information System Risk Assessment
- Outcome of Gap Analysis on BNM's Policy Document on Shariah Governance

- Performance Assessment of Chief Risk Officer and Chief Compliance Officer
- Annual Attestation of BPMB's Compliance with BNM's Policy Document on Introduction of New Products
- Improvement Of Privileged Identity Management
- Report On Legal Action
- Report On Financing Facilities with Connected Parties
- Green Technology Financing Scheme 2.0 – Offering of Scheme with Revised Features
- Outcome of Compliance Review
- Yearly Review of Counterparty Limit for Deposit Placement
- Update On BPMB Recovery Plan for COVID-19
- Review Of BPMB's Authority Matrix
- Business Impact Analysis & Risk Assessment Report
- Key Risk Indicators (KRIs) Review
- Risk And Control Self-Assessment 2019/2020 Report
- Shariah Risk Learning Programme
- Evaluation for the application of Contingency Funding Plan Countermeasures
- Group Compliance Report
- Acceptance of the Enhanced Credit Risk Rating Models

## BOARD INFORMATION TECHNOLOGY COMMITTEE

### Objective

The primary objective of the Board Information Technology Committee (BITC) is to provide oversight function on the implementation of technology-related strategies and initiatives for the Group.

### Functions and Responsibilities

The duties and responsibilities of BITC include the following:

- To establish and recommend to the Board for approval, the technology risk appetite which is aligned with the Bank's risk appetite statement, as well as the Board's approval on corresponding risk tolerances for technology-related events; and ensure key performance indicators are in place to monitor the Bank's technology risk;
- To recommend to the Board for approval the Bank's cybersecurity strategy which is aligned with the overall Bank's business and IT strategy and oversee the adequacy of the Bank's IT and cybersecurity strategic plans covering a period of no less than three years. These plans should address the Bank's requirements on infrastructure, control measures to mitigate IT and cyber risk and financial and non-financial resources commensurate with the complexity of the Bank's operations and changes in the risk profile and business environment;
- To oversee the effective implementation of a sound and robust Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF) as required by BNM under the Risk Management in Technology policy;
- To review and monitor the implementation of technology-related frameworks and ensure risk assessments undertaken in relation to material technology applications submitted to BNM are robust and comprehensive;

- To review and monitor implementation of IT projects/initiatives undertaken by the Bank to ensure alignment with the Bank's policies and strategies;
- To review and recommend to the Board any appointment of such person, consultants or advisors to undertake any specific projects or assignments in relation to the Bank's IT or digitalisation initiatives/projects;
- To continuously engage in cyber security preparedness, education and training; and
- To consider any other matters as referred by the Board to BITC.

### Committee Meetings and Attendance

Based on the TOR of the BITC, BITC shall meet at least four (4) times a year and for any ad hoc meetings as and when required. BITC met six (6) times during the financial year 2020. The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
<b>Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah</b> Chairman (Appointed as Chairman w.e.f. 25 February 2020)	6/6
<b>Dato' Othman Semail</b> (Appointed as Member w.e.f. 25 February 2020)	3/6
<b>Dr. Mohamed Ashraf Mohamed Iqbal</b> (Appointed as Member w.e.f. 25 February 2020)	6/6
<b>Ariff Rozhan</b> (Appointed as Member w.e.f. 25 February 2020)	6/6
<b>Norazilla Md Tahir</b> (Appointed as Member w.e.f. 28 September 2020)	3/3*

\* Reflects the number of meetings attended during the time the Member held office.

### BITC Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BITC during FY2020 included the following:

- Review of the TOR of BITC and Management Information Technology Committee (MITC)
- Endorsement of the reappointment of a digital advisor on contract to provide consulting and advisory services to assist BPMB in achieving desired outcomes; encompassing information technology, management of systems infrastructure, information security with specific focus on BNM's Risk Management in Technology requirement including IT-related risks and compliance, in order to meet the needs of key stakeholders
- Review of revisions to the IT Security Policy
- Review of the 2021 – 2023 IT Plan and IT Capacity Planning Report
- Review of the Enterprise Refresh Project Implementation Plan (Network & Infrastructure)
- Review of the Vulnerability Assessment And Penetration Test (VAPT) Report For Year 2019 And 2020
- Review of the Feasibility Study on Automated Deployment And Testing Tool
- Monthly IT Dashboard Report
- Management Information System (MIS) Roadmap

## STATEMENT OF SHARIAH GOVERNANCE

BPMB conducts Islamic financial business in addition to its existing conventional financial business. The conduct of Islamic financial business by BPMB is governed mainly by the relevant provisions in the Development Financial Institutions Act 2002 and other rules and regulations as issued by Bank Negara Malaysia (BNM) from time to time.

With regard to the Shariah governance requirements, BPMB is primarily governed by the Shariah Governance Policy Document (SGPD) issued by BNM. This SGPD which supersedes the previous Shariah Governance Framework for Islamic Financial Institutions since April 1, 2020 aims to further strengthen the effectiveness of Shariah governance implementation and enforce a closer integration of Shariah considerations in the business and risk strategies of Islamic financial institutions. It provides a framework comprising the Shariah governance structure, processes and controls which BPMB is expected to adhere to, in order to ensure that all its operations and business activities are performed in compliance with Shariah.

### SHARIAH COMMITTEE

While the Board is ultimately responsible and accountable for the overall Shariah governance implementation and Shariah compliance of BPMB, the Board is advised and guided by the Shariah Committee on Shariah matters in relation to the Islamic financial business of BPMB. The Shariah Committee is regarded as a committee of the Board and therefore functionally reports to the Board. Amongst other matters, the Shariah Committee ensures that the Shariah rulings and decisions relating to the Islamic financial business of BPMB comply with the fundamental Shariah principles and resolutions of the relevant regulatory authorities on Shariah matters.

#### Composition and Background

In line with BNM's SGPD, the Shariah Committee comprises five (5) members where a majority i.e. four (4) members are Shariah-qualified while one (1) member comes from a non-Shariah background, but possesses the relevant skills, knowledge and experience relevant to support the roles

and responsibilities of the Shariah Committee. A brief profile of each Shariah Committee member is presented on pages 36 to 38 of the Annual Integrated Report. The appointment/re-appointment of members of the Shariah Committee is governed by BNM's SGPD and internal policies and procedures. The Board Nomination and Remuneration Committee (BNRC) reviews and assesses the members for the purpose of appointment/re-appointment before any recommendation is made to the Board for approval. BNRC will also refer to the results of individual assessments conducted via self and peer assessments, the Shariah Committee's effectiveness assessment and the Management's assessment on the Shariah Committee. The application for the appointment/re-appointment of Shariah Committee members will be submitted to BNM for approval.

#### Duties and Responsibilities

The Shariah Committee is expected to provide advice and decisions on Shariah matters related to the Islamic financial business of BPMB to ensure its compliance with Shariah. Specifically, the functions and responsibilities of the Shariah Committee are, among others, as follows:

1. To be responsible and accountable for all Shariah decisions, opinions and views provided by them.
2. To advise the Board and Management of BPMB on Shariah matters in order to ensure that its Islamic financial business and operations comply with Shariah principles at all times.
3. To validate and endorse the following:
  - a) The Islamic products and services of BPMB are in compliance with Shariah in all aspects including:

- The terms and conditions contained in the forms, contracts and agreements used in executing the transactions;
  - The guidelines, manuals and procedures in relation to the products and services, schemes and funds offered by BPMB; and
  - The product manual(s), marketing advertisements, disclosure sheets, sales illustrations and brochures used to describe the products.
- b) The policies and procedures applicable to Islamic finance business prepared by BPMB and the contents therein do not have any elements which are not in line with Shariah.
4. To confirm and form an independent opinion on the Shariah compliance status of BPMB based on their assessment of the works carried out by Shariah review and Shariah audit, and provide assurance information to be disclosed in the annual report, with respect to the following:
    - The transactions and dealings by BPMB in relation to its Islamic financial business for the reporting year are in compliance with Shariah;
    - The allocation of profit and charging of losses relating to investment accounts, if any, are in compliance with Shariah;
    - The de-recognition of Shariah non-compliant income and its distribution for charity purposes are in compliance with Shariah; and

- The computation and distribution of Zakat are in compliance with Shariah.
5. To provide a decision or advice to BPMB on matters which require a reference to be made to the Shariah Advisory Council of Bank Negara Malaysia or Securities Commission Malaysia which includes but is not limited to the following circumstances:
    - Where the Shariah Advisory Council has not made any rulings on a particular matter; or
    - Where the Shariah Committee is not able to arrive at a decision or advice; or
    - Where BPMB submits applications to BNM for approval of new Islamic products.
  6. To assist and provide advice on Shariah matters to related parties such as the legal counsel, auditors or consultants appointed by BPMB based on the recommendation or request from the Management.
  7. To put on record its concerns over any Shariah non-compliance issues in its report or statements directed to the Board.
  8. To provide decisions or advice on BPMB's operations, business, affairs and activities which may trigger a Shariah non-compliance event and to endorse a rectification measure to address the event, if any.

### MEETINGS AND ATTENDANCE

Meetings are to be held at least once every two (2) months in line with the requirements of BNM's SGPD. The Shariah Committee meets to discuss and monitor, among others, the overall Shariah compliance matters of BPMB. The notice and agenda for each Shariah Committee meeting together with papers to be deliberated at the meetings are distributed to all members of the Shariah Committee prior to the meetings by the Company Secretary with the assistance of Group Shariah

Management as the secretariat to the Shariah Committee. The minutes of the meetings are escalated to the Board for perusal and information.

During the financial year ended 31 December 2020 the Shariah Committee held 12 meetings. The record of attendance of members of the Shariah Committee for the meetings is as follows:

Name of Shariah Committee Members	No. of Meetings and Attendance
Associate Professor Dr Aznan Hasan (Chairman)	12/12
Associate Professor Dr Miszairi Sitoris	12/12
Associate Professor Dr Noraini Mohd Ariffin	12/12
Dr Ahmad Basri Ibrahim	12/12
Ustaz Mohd Fadhly Md Yusoff	12/12

#### Training and Development of Shariah Committee Members

Newly appointed members of the Shariah Committee are required to attend an induction programme organised by the Management to enable them to gain first-hand understanding of BPMB and its operations. The Shariah Committee is also required to enrol in certification programmes to upskill existing Shariah advisors in serving the industry, namely the Certified Shariah Advisor (CSA) and Certified Shariah Practitioner (CSP) programmes administered by the Association of Shariah Advisors in Islamic Finance (ASAS). Most of the members have successfully completed modules in Level 1 of the programme. In addition, the members also attended selected international and local trainings as part of their competency development programme.

The Bank also encourages the Shariah Committee members to attend talks, training programmes and seminars to update themselves and to keep abreast with new developments in the industry for their continuing education and skills improvement.

### SECRETARIAT FUNCTION

#### a) Group Shariah Management

Group Shariah Management in BPMB is designated as the secretariat to the Shariah Committee and bears the responsibility of providing operational support for effective functioning of the Shariah Committee.

**STATEMENT OF SHARIAH GOVERNANCE**

Group Shariah Management is currently organised into three (3) main areas of responsibilities as follows:

Shariah Advisory & Research	Shariah Documentation Review	Zakat Management
<ul style="list-style-type: none"> <li>Responsible for providing Shariah advisory service to relevant stakeholders and entities within BPMB Group</li> <li>Responsible for supporting stakeholders on the Shariah aspects of Islamic finance business, based on the rulings and resolutions issued by BNM's SAC and Securities Commission's SAC and advice, precedents and decisions of BPMB's Shariah Committee</li> <li>Responsible for performing in-depth Shariah research and studies on Shariah issues</li> <li>Responsible for serving as the secretariat to the Shariah Committee in undertaking related administrative matters such as coordinating meetings, compiling proposal papers and disseminating Shariah committee decisions to relevant stakeholders within the BPMB Group</li> <li>Responsible for matters regarding the appointment/re-appointment/cessation/resignation of the Shariah Committee and their trainings</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for providing advisory service on Shariah-related matters or products by conducting review process on relevant legal documentation and proposed transaction agreements, and the proposed policies, guidelines and procedures from internal stakeholders in order to ensure compliance with the approved Shariah principles and decisions</li> <li>Responsible for coordinating BPMB Group's projects and initiatives in relation to the implementation of requirements under the SGPD</li> </ul>	<ul style="list-style-type: none"> <li>Responsible for the management, payment and distribution of business zakat in compliance with established rulings to ensure efficiency and effectiveness of business zakat management and distribution</li> </ul>

**INTERNAL CONTROL FUNCTIONS**

**a) Group Risk Management**

Guided by the Shariah Risk Management Guideline, the Bank has always placed a strong emphasis on the importance of Shariah Risk Management to ensure its effectiveness throughout

the organisation. As such, the Bank will continue with the execution of the relevant tools which have been put in place, namely the Risk and Control Self-Assessment (RCSA), and Shariah Non-Compliance Reporting and Key Risk Indicators, while striving to improve the comprehension of the tools by all staff through their

designated Operational Risk Liaison Officer (ORLO).

Group Risk Management performed a review of the Bank's internal Key Risk Indicators (KRI), which includes the Shariah KRI comprising of 13 indicators; with 5 leading and 8 lagging Shariah KRI.

Leading KRI	Lagging KRI
<ul style="list-style-type: none"> <li>Number of Islamic Finance related training/knowledge sharing session to be conducted within 3 months</li> <li>Gap analysis arising from development/revision of BNM policies, guidelines &amp; resolutions</li> <li>Number of rejected financing proposal by Shariah Advisory</li> <li>Number of sales and marketing collateral &amp; advertisement rejected by Shariah Advisory or requires amendment</li> <li>Number of "product proposal" rejected by Shariah Committee (SC)</li> </ul>	<ul style="list-style-type: none"> <li>Number of new litigation cases initiated against the Bank with Shariah non-compliance (SNC) implications</li> <li>Number of new Shariah-related complaints</li> <li>Number of operational errors that resulted to actual SNC event and/or income</li> <li>Number of new potential SNC event occurred and confirmed by QSO</li> <li>Number of SNC income which is not derecognised from the financial account</li> <li>Number of application for Shariah non-compliant business dealings and activities</li> <li>Number of unresolved actual SNC event</li> <li>Number of Shariah related compliance and audit findings</li> </ul>

The outcome from the annual RCSA showed that 'People' was the primary causal factor for the identified Shariah risk exposures impacting BPMB. Further training courses have been organised as mitigating measures to address this causal factor.

There were no Shariah Non-Compliance events reported for financial year 2020. In addition, no Shariah Non-Compliance KRIs were triggered. This indicates probable improvement in understanding and knowledge of Shariah related matters. Notwithstanding, Group Risk Management via Operational and Shariah Risk Function will continue to enforce adequate and competent resources and controls to ensure that the Bank is compliant with Shariah requirements.

In relation to the expectations stipulated in the BNM Shariah Governance Policy Document 2019 for a strong Shariah compliance culture within the Bank, Operational and Shariah Risk Function undertook several initiatives on Shariah risk awareness throughout the year. These included a "Shariah Risk Learning Programme" where a total of 12 Shariah Risk Management modules was emailed to all staff over the course of the year on a monthly basis in the form of an infographic. A dedicated column on Shariah Risk Management was also published on a half-yearly basis in the Group's Risk e-Bulletin.

These initiatives have been pertinent in elevating the level of knowledge and awareness in Shariah risks and ensuring a continuous record of zero Shariah Non-Compliance events. More of such initiatives are scheduled to be carried out in 2021 to further enhance the Shariah-compliant culture of the Bank. These include relevant e-learning programmes and short quizzes in digital format from Group Risk Management to gauge staff understanding of the knowledge shared in the

infographic emails and ensure staff are adequately equipped.

**b) Group Compliance**

In line with the fundamental responsibilities of Compliance as outlined in BNM's Policy Documents on Shariah Governance and Compliance, the dedicated Compliance Review unit within Group Compliance was established to undertake the function of compliance reviews including Shariah reviews. Comprising certified compliance officers and qualified Shariah officers, the unit aims to provide assurance to the Senior Management, Shariah Committee and Board of Directors on the state of Shariah compliance in the BPMB Group.

The Shariah review function is performed systematically based on the Guideline and Procedure on Compliance Review Programme established by Group Compliance. These documents encompass, among others, the Compliance Review function, governance structure and end-to-end processes of performing regular assessments on the compliance of the operations, business, affairs and activities of BPMB Group with Shariah requirements.

This structured process includes planning where Shariah review activities are to be executed, based on an annual plan approved by the relevant committees including the Shariah Committee. In developing the plan, Compliance Review annually performs Compliance Review Risk-Based Assessment (CR-RBA) to ascertain the proposed Shariah review subjects to be reviewed in the succeeding year. Subsequently, the outcome of Shariah review activities shall be reported periodically to the relevant internal committees including the Shariah Committee.

**c) Group Internal Audit**

The Group Internal Audit function bears the responsibility of ensuring a sound and effective internal control system for

Shariah compliance in the Bank. The Shariah Audit Section under Group Internal Audit is primarily responsible for providing independent assessment and objective assurance that adds value and improves the degree of compliance in relation to Islamic business operations.

Reporting independently to both the Board Audit Committee and the Shariah Committee, Shariah Audit provides independent assurance on the effectiveness of internal control systems and related policies and procedures implemented by the BPMB Group to govern the conduct of its Islamic financial business operations and activities. The scope of Shariah Audit is established in line with the areas stipulated by BNM's SGPD as well as accepted auditing standards.

Evaluation on the governance, risk management, controls and compliance with Shariah rules and principles is carried out by adopting Group Internal Audit's methodology which is in line with the Institute of Internal Auditors' (IIA) standard. Where appropriate, recommendations for improvements and enhancements are made and thereafter reported to the Shariah Committee, Management Audit Committee and Board Audit Committee.

Please refer to Shariah Committee's Report of Audited Financial Statement (AFS) FYE 31 December 2020 on pages 96 to 100

## STATEMENT OF INTERNAL CONTROL

The Statement of Internal Control establishes the key constructs underpinning the Board's work to promote the highest standards in the Group's financial management and reporting in compliance with all applicable laws and regulations. Such high standards of operational efficiency are achieved by delegating appropriate authority to distinct committees within the Management, who collectively report back to the Board to ensure tangible and intangible risks are effectively and pro-actively managed throughout the organisation.

### RESPONSIBILITY

The Board affirms its commitment to overall responsibility and oversight of the BPMB Group's internal control system. The Board keeps abreast with developments in the areas of risk and governance to ensure its effectiveness in safeguarding stakeholders' interests and the Group's assets.

The Board recognises that internal controls and risk management systems in place need to be updated from time to time to align with changes in the business environment and process improvement initiatives undertaken. The Board has established appropriate control structures and processes for identifying, evaluating, monitoring, managing and responding to significant risks faced by the Group in achieving its business goals and objectives.

The Management is accountable to the Board and is responsible for the effective implementation of the policies and procedures on risks and controls. Regular testing of the adequacy, effectiveness, efficiency and integrity of the internal control system and its processes are conducted to ensure its viability and robustness.

### KEY INTERNAL CONTROL PROCESSES AND STRUCTURES

The key processes that the Board has established in reviewing the adequacy and effectiveness of the internal control system include the following:

#### Establish the Management's role with regard to internal controls

The roles of the Management include but are not limited to:

- Identifying and evaluating the risks faced in the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Monitoring the effective implementation of the internal control system; and
- Reporting to the Board on any changes to the risks and the corrective actions taken in a timely manner.

#### Internal Audit Function — Group Internal Audit (GIA)

The GIA undertakes periodic reviews of the Group's business and operations to provide independent assurance to the Board that the risk management, internal control systems and governance processes put in place are working effectively.

Audit engagements are carried out based on the annual audit plan as approved by the Board Audit Committee (BAC) and takes into consideration feedback from the Management and Shariah Committee. The GIA assesses the selected auditable functions and areas under the audit scope with regard to risk exposure, compliance toward approved policies, procedures, and relevant laws and regulations; and benchmarks them against available best practices. In evaluating the internal controls, the GIA adopts the five (5) components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO); namely control environment, risk assessment, control activities, information and communication, and monitoring activities.

The result of the audits conducted, including the risks and recommendations are reported to the BAC on a regular basis. Resolution to the audit findings are performed and followed up with the Management and deliberated at the Management Audit Committee (MAC) and BAC meetings. The Shariah audit findings are presented to the Shariah Committee (SC) where any potential Shariah non-compliance (SNC) issues are deliberated and confirmed by the SC.

The GIA continues to enhance its capabilities through continuous improvement to its internal audit processes benchmarked against the industry's standards, upskilling of the internal auditors through various internal and external trainings, certification of auditors and engagements with reputable third-party service providers when undertaking specific audit assignments.

#### Management Audit Committee (MAC)

The MAC is a Management-level committee chaired by the Chief Internal Auditor (CIA), which meets once every two (2) months or as and when required. The MAC facilitates the BAC to review the financial condition of the BPMB Group, the internal controls, performance and findings of the internal auditors and where necessary; to monitor the execution and implementation of all necessary action plans including the recommendations made by the BAC, ensuring that they are undertaken by the Management within the agreed timeline. Minutes of the MAC meetings are tabled to the BAC together with the audit reports.

#### Board Audit Committee (BAC)

The BAC meets at least four (4) times a year and at any ad hoc meetings as and when required, or at the Chairman's request to further review issues identified in audit reports prepared by the GIA as well as by external auditors. The BAC has active oversight on the GIA's independence, scope of work and resources. It also reviews and approves the annual audit plan and the frequency of internal audit activities.

### OTHER INTERNAL CONTROL PROCESSES AND STRUCTURES

The other key elements of the procedures established by the Board to provide effective internal control include:

The Board keeps abreast with the developments in the areas of risk and governance to ensure its effectiveness in safeguarding stakeholders' interests and the Group's assets.

#### Business Plan and Performance Review

An annual business plan and budget are submitted to the Board for approval. Performance achievements are reviewed against the targeted results on a monthly basis, allowing timely responses and corrective actions to be taken to mitigate risks. The Board reviews regular reports from the Management on the key operating statistics. The Board also approves any changes or amendments to the Group's policies.

#### Board Committees

Board Committees (other than the BAC) are also established to assist the Board in performing its oversight function, namely, the Board Credit Committee (BCC), Board Nomination & Remuneration Committee (BNRC), Board Risk Management Committee (BRMC), Board Information Technology Committee (BITC) and Shariah Committee (SC). These Committees have the authority (Terms of Reference) to examine all matters within their scope and report their recommendations to the Board.

#### Management Committees

Various Management Committees (Executive-level) are also established by the Management to assist and support the various Board Committees in overseeing core areas of business operations. These Committees include the Executive Committee (EXCO), Group Credit Committee (GCC), Management Risk Committee (MRC), Asset and Liability Committee (ALCO), Management Tender Committee

(MTC), Management Information Technology Committee (MITC), Group Human Resource Committee (GHRC), Crisis Management Team (CMT) and Group Budget Working Committee (GBWC).

#### Policies, Standard Operating Procedures (SOPs) and Authority Limits

Policies and SOPs governing the Group's businesses and operations are documented and made available to all employees across the Group. These policies and SOPs are reviewed and updated by the respective business and functional units through a structured process of review to cater to changes in laws and regulations as well as changes to the business and operational environment.

Delegation of authority including authorised limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

#### Code of Ethics and Conduct

The Code of Ethics and Conduct (the Code) sets out the standards of good and ethical banking practices, and aims to maintain confidence in the security and integrity of the Group's business practices. The Code applies to all employees working in the Bank, complies with the laws of Malaysia as well as all internal policies and procedures of the Bank. All employees of the Bank are expected to carry out business activities and represent the Group with the highest ethical, legal and professional standards.



# GROUP RISK MANAGEMENT

In 2020, just as the Bank began to embark on the first year of its 3-year strategic plan, the world was hit with an unprecedented outbreak of COVID-19 which grew into a pandemic affecting socioeconomics across the globe. What began initially as a year of hope and vision became a year filled with multifarious never-before-seen challenges for the Bank.

New norms had to be swiftly deployed by the Bank, with virtual and remote working arrangements coming to the fore to provide assurance of adequate assistance to customers in need. In spite of the upheaval, it was imperative that the Bank's own development agenda and corporate plans were not left behind and 2020 proved to be a year where effective risk management was paramount. Despite the challenges, the BPMB Group continued to sustain

our focus on fulfilling our mandated role whilst remaining steadfast in improving asset quality.

Group Risk Management (GRM) keeps abreast of evolving trends and needs in business complexity and challenges of risk management to better support the Group in meeting BPMB's strategic and business objectives. GRM is responsible for providing oversight of risk management at an enterprise-wide

level through the establishment of the Group's risk strategies, frameworks and policies, with independent assessment and monitoring of all risks.

In managing the risk profile of the Group, GRM ensures that the Group's portfolios are aligned with the risk appetite and business strategies of the Bank, with risk management frameworks refreshed to be forward-looking in order to remain risk resilient.

## 1. RISK MANAGEMENT FRAMEWORK

An effective risk management framework and process assists to reinforce a strong risk culture, which in turn is critical to ensuring sound risk management for the Group. The overall structure of the Risk Management Framework is shown below:

<b>BUILDING BLOCKS</b>	Risk Principles	Risk Appetite and Strategy
	Governance and Risk Oversight	Risk and Compliance Culture
	Risk Management Processes and Practices	Resources and System Infrastructure

## 2. RISK PRINCIPLES

The risk principles of BPMB are as follows:

- i) Establishing a risk appetite and strategy which is approved by the Board and articulates the nature, type and level of risk the Group is willing to assume.
- ii) Driving capital management through strategic objectives that take into account the relevant regulatory, economic and commercial environments in which the Bank operates.
- iii) Ensuring proper governance and oversight through a clear, effective and robust governance structure with well-defined, transparent and consistent lines of established responsibility.
- iv) Promoting a strong risk culture that supports and provides appropriate standards premised on best and right practices.
- v) Implementing risk frameworks, policies and procedures to ensure that risk management practices and processes are effective at all levels.
- vi) Executing robust risk management practices and processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group.
- vii) Ensuring sufficient resources, infrastructure and techniques are in place to enable effective risk management.

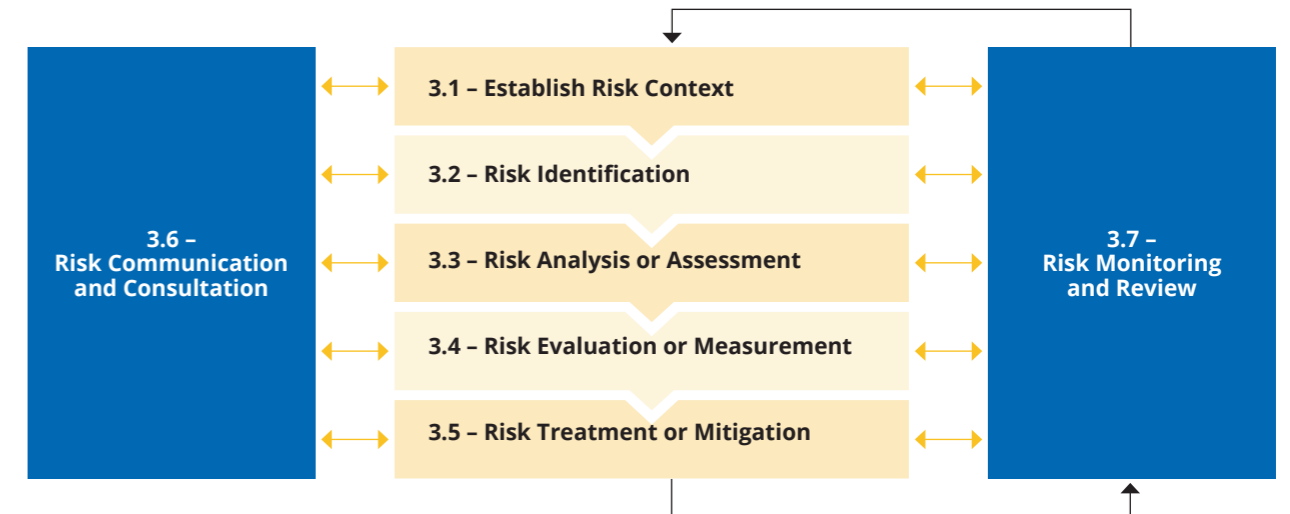
## 3. RISK MANAGEMENT PROCESSES AND PRACTICES

GRM has put in place a structured and coherent approach in identifying, assessing and strategically managing the respective identified risks via its annual Risk Plan. These include:

- a) **Driving sustainable and quality asset growth** — through effective risk management, managing asset growth and reducing impairment;
- b) **Delivering client convenience and reliability** — by intensifying client focus such as through engagement with the Board, Senior Management and business pillars; and through internal customer service excellence including the timely delivery of credit risk rating reports produced for new proposals and credit review proposals, credit portfolio assessment and market risk assessment for Treasury/ Finance initiatives;
- c) **Ensuring effective and efficient risk governance and oversight** — by promoting a risk awareness culture and strengthening the lines of defence through the Group GRM Framework and group-wide implementation of risk governance process, monitoring and reporting;
- d) **Improving business and support processes** — by having a strong infrastructure in place to support operations;
- e) **Strengthening execution infrastructure** — by either strengthening and/or streamlining capacity and capabilities of existing Risk units; and

- f) **Building organisational capabilities by:**
  - i. creating a group-wide performance culture;
  - ii. strengthening execution capabilities;
  - iii. establishing highly effective performance and talent management processes;
  - iv. assembling/building a leadership pool and pipeline to realise the Bank's aspirations;
  - v. increasing external recruitment to increase the talent pool;
  - vi. training employees to increase risk awareness and understanding of risk management; and
  - vii. adopting a 'risk aware' and 'compliance culture' as part of the organisational work culture

An overview of the Risk Management Process is depicted below:



### 3.1 Risk Context

All GRM function heads (Heads) must first establish a clear and well-defined risk context by taking into consideration the following factors:

- a) **External Context** — Define the relationship between their own functions and BPMB's business and operational environment, by identifying or determining the crucial elements that

may support or impair their ability to manage their own risks, such as regulatory and market conditions; and economic, environmental and social elements.

- b) **Internal Context** — Understand their functions, capacities and capabilities (i.e. the strengths/ weaknesses/ threats/ opportunities of staff, processes and systems), as well as their own business

objectives, risk strategies and risk culture.

- c) **Risk Management Context** — Establish their risk management approach; i.e. define their own scope of risk assessment and evaluation criteria, define or set their own respective risk appetite and risk tolerance limits, including their risk acceptability, risk avoidance and risk mitigation.

**GROUP RISK MANAGEMENT**

**3.2 Risk Identification**

All Heads must put in place demonstrable processes and procedures to ensure that risks are promptly identified, and to also incorporate Key Risk Indicators (KRIs) to trigger possible future risks (i.e. emerging risks) and/or to anticipate unpredictable risks, to ensure no significant risks are being overlooked.

**3.3 Risk Analysis or Assessment**

All Heads are to provide data to assist in the evaluation and treatment of their risks. This involves the consideration of the sources of risk, the consequences (or impact) and the likelihood that these consequences may occur. Each Head is to also document the qualitative and/or quantitative measures of their likelihood and/or expected impact. Risk is analysed by combining estimates of consequences (impact) and likelihood of occurrence in the context of existing control measures in place.

**3.4 Risk Evaluation or Measurement**

- a) The level of risk found during the analysis or assessment needs to be compared with the previously established risk criteria of the department or unit. This will result in a prioritised list of risks for further action by each Head.
- b) Identified risks should be monitored and regularly reviewed to ensure they remain adequately controlled or mitigated.
- c) It is also advisable for all Heads to document their own business continuity management plan(s) and embed the plan(s) within their teams to ensure any severe disruptions in their operating infrastructure can be properly managed and addressed.

**3.5 Risk Treatment or Mitigation**

Each Head is to identify the appropriate options for treating or mitigating their risks and document these options within their own risk procedure. Each option is to be assessed and properly documented. Each Head must ensure any residual risks are within their acceptable threshold.

**3.6 Risk Communication and Consultation**

Each Head is to clearly and continuously communicate their risk management process to all who have roles and responsibilities within it to ensure staff understand why certain actions are required. This communication process must be clearly documented.

**3.7 Risk Monitoring and Review**

Each Head is to document the required proactive monitoring process of their risk treatment or action plans to ensure they remain relevant. Any resultant loss (actual or expected/

near-miss or potential) is to be computed and documented accordingly. Each Head is to also ensure their risk management process is to be reviewed on a regular basis (at least annually) to determine its effectiveness, including identification of new risks and/or opportunities as they emerge.

**4. RISK APPETITE AND STRATEGY**

The risk appetite is a critical component of the Group's robust Governance and Risk Management Framework and is driven by both top-down Board leadership and bottom-up involvement of management and staff at all levels. It enables the Board and Senior Management to communicate, understand and assess the types and levels of risk that the Group is willing to accept in pursuit of its business goals. The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to changing business and market conditions.

The Bank's risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions throughout the Group. This forms the link in which the risk limits and controls are set in managing risk exposures arising from business activities. Acting as both a governor of risk and a driver of current and future business activities, the risk appetite ultimately balances the needs of all stakeholders and acts as a powerful reinforcement to a strong risk culture.

The risk appetite framework serves as a foundation for the Group's risk culture and sets out the principles and policies to guide business activities and decision-making processes towards achieving an optimal balance between risk and return.

The articulation of the risk appetite is done through a set of risk appetite statements which includes a comprehensive view of all material risks to the Group as follows:



Risk Appetite Categories	Risk Areas
<b>Capital Adequacy</b>	<ul style="list-style-type: none"> <li>• Risk Weighted Capital Ratio</li> </ul>
<b>Asset Quality</b>	<ul style="list-style-type: none"> <li>• Loan/Financing Asset Quality</li> <li>• New Commercial Loan / Financing Rating</li> <li>• Gross Impaired Loan Ratio</li> <li>• Subsectors to be avoided (Commercial)</li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>• Bank Negara Malaysia (BNM) New Liquidity Framework</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Earnings-at-Risk (EaR)</li> <li>• Economic Value of Equity (EVE)</li> <li>• Investment Securities Credit Ratings</li> </ul>
<b>Operational</b>	<ul style="list-style-type: none"> <li>• Operational Loss</li> <li>• Shariah Non-Compliance (SNC)</li> <li>• Cyber Security</li> </ul>
<b>Strategic</b>	<ul style="list-style-type: none"> <li>• Debt Rating</li> <li>• Capital Allocation</li> <li>• Risk-adjusted Profitability (Net Financing Margin - NFM)</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>• Non-compliance with regulatory requirements</li> </ul>

**RISK MANAGEMENT (RM)**

*to ensure enterprise-wide risks are within acceptable and manageable levels*

*a best-practice approach to addressing these requirements*

**RISK APPETITE STATEMENT (RAS)**

To address fundamental questions with respect to strategy, risk management and operations and implemented through a risk appetite framework, which includes the common language, policies, processes, systems, and tools used to establish, communicate and monitor risk appetite.

A well-developed RAS has the following attributes:

1. A key element of the overall RM framework;
2. Aligned with the business strategy and expressed with quantitative risk tolerances;
3. Reinforces the organisation's desired risk culture; and
4. Produces better risk-adjusted business performance.







**5. PRINCIPAL RISKS**





BPMB is exposed to (but not limited to) the following principal risks:


PRINCIPAL RISKS		
	Credit Risk	Concentration Risk
	Operational Risk	Market Risk
	Liquidity Risk	Interest Rate Risk
	Reputational Risk	Information and Technology Risk
	Regulatory Risk	Strategic Risk
	Shariah Risk	Climate Change Risk
		Disease Outbreak Risk (New)

**GROUP**  
**RISK MANAGEMENT**

The respective principal risks are briefly described as follows:

Risk	Description
 <b>Credit Risk</b>	Risks arising from the following: <ol style="list-style-type: none"> <li><b>Default risk</b> – risk arising from the inability or unwillingness of a counterparty to discharge its repayment contractual obligations;</li> <li><b>Downgrade risk</b> – risk that changes in the possibility of a future default by a counterparty will adversely affect the present value of the contract with the counterparty today;</li> <li><b>Settlement risk</b> – risk arising from the lag between the value and settlement dates of securities or financial instruments transactions; and</li> <li><b>Concentration risk</b> – risks arising from the following:                             <ul style="list-style-type: none"> <li>Concentration on asset portfolios – risk of losses associated with inadequate diversification of asset portfolios</li> <li>Concentration on business portfolio – risk of financial loss due to having written large proportions of business in the same or similar risk profile.</li> </ul> </li> </ol>
 <b>Market Risk</b>	Risk that the value of a financial instrument will fluctuate as a result of changes in the market. Such risks include: <ol style="list-style-type: none"> <li><b>Interest rate risk</b> – risk that the movement in interest rates/ profit rates can have an adverse effect both on BPMB's earnings and economic value;</li> <li><b>Asset Liability mismatching risk</b> – risk of a change in value as a result of a deviation between asset and liability cash-flows, prices or carrying amounts that originates from changes in market risk factors;</li> <li><b>Credit spread risk</b> – sensitivity of the values of assets, liabilities and financial instruments to changes in the level or volatility of credit spreads over the risk-free interest rate term structure;</li> <li><b>Market liquidity risk</b> – risk that the entity is unable to unwind or offset a particular position at/or near the previous market price because of inadequate market depth or because of disruptions in the marketplace caused by changes in market sentiment or due to a specific event or series of events;</li> <li><b>Funding risk</b> – inability of the entity to meet its financial obligations that arise from withdrawals of deposits, repayments of purchased funds at maturity, extension of credit and working capital needs; and</li> <li><b>Equity risk</b> – risk that the value of a financial instrument will fluctuate as a result of changes in equity prices.</li> </ol>
 <b>Liquidity Risk</b>	Forms part of Market Risk and is defined as the risk that the BPMB Group will be unable to secure necessary funding due to deteriorating financial conditions or a similar reason, and will therefore be unable to meet cash flow requirements, or that it will suffer a loss because it is compelled to pay interest rates/ profit rates significantly higher than normal rates to secure funding.
 <b>Operational Risk</b>	Risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.
 <b>Reputational Risk</b>	Potential loss to financial capital, social capital and/or market share resulting from damages to BPMB's brand or reputation.
 <b>Regulatory Risk</b>	Risk that unanticipated new acts or regulations will result in the need to change business practices that may lead to financial loss to BPMB.


Risk	Description
 <b>Strategic Risk</b>	Risk that BPMB's business strategy is inappropriate, or that it is unable to implement or execute its strategy such that ongoing production and profitability of the business is adversely impacted.
 <b>Information and Technology Risk</b>	Risk emanating from the use of information and communication technology. These risks arise from failures or breaches of technology systems, applications, platforms, infrastructure and services which could result in financial loss, disruption in financial services or operations, or reputational harm to the BPMB Group. <p>The sub-categories of technology risk can be defined as follows:</p> <ol style="list-style-type: none"> <li><b>IT Risk</b> – risk associated with the use, ownership, operation, involvement, influence and adoption of IT within BPMB Group. Consisting of IT-related events and conditions that could potentially affect the business operations, these risks are commonly related to IT infrastructure, operations and management;</li> <li><b>IS Risk</b> – risk associated with application systems with respect to relevancy of the application system to the BPMB Group or where an application system is unable to preserve integrity, confidentiality and availability of the information stored within the application system; and</li> <li><b>Cyber Risk</b> – risk associated with exposure or losses resulting from digital incidents caused by internal, external or third parties including theft, compromised integrity and/or damage to information and/or technology assets, internal or external fraud and business disruption. Cyber risk includes cyber-crime, cyber-terrorism, accidental loss of confidential data as well as liability for BPMB Group's online activities.</li> </ol>
 <b>Shariah Risk</b>	Risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which BPMB may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia (SAC), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA and Section 33E(1) of the DFIA, or decisions or advice of the Shariah committee.
 <b>Climate Change Risk</b>	Climate change can be described as significant long-term change in the expected patterns of average weather of a region (or the whole Earth) over a significant period of time. Climate Change Risk is generally categorised as: <ol style="list-style-type: none"> <li><b>Physical risk</b> – Arises from climate-related events that damage property, reduce productivity and disrupt trade. Physical risks directly impact the continuity of business operations and economic activities, which in turn increases credit risk to financial institutions when revenue generating capacity and credit worthiness of borrowers are materially impacted.                             <p>Physical risk also impacts collateral value, where assets pledged as collateral to banks could be destroyed or significantly damaged by climate events, impacting the recovery value. These risks are rarely well accounted for by the banks, resulting in under-pricing risks of such climate-related occurrences.</p> </li> <li><b>Transition risk</b> – Arises from transitioning to a lower-carbon economy which may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. The changes in the legal/ regulatory framework (e.g. disclosure requirement, implementation of carbon pricing), technological advancements (e.g. reducing cost of renewable energy) or consumer sentiments (e.g. certification scheme, fossil fuel divestment campaign) may translate into financial and/or reputational risk to financial institutions.</li> <li><b>Liability risk</b> – Refers to a client seeking compensation for losses they may have suffered as a result of the physical or transitional risk related to climate change. Liability risk is generally more applicable to Insurers and Takaful operators.</li> </ol>

Risk	Description
 <b>Disease Outbreak Risk</b>	<p>Refers to the threat of epidemics of infectious diseases that have spread through the human population across a large region (or over several countries or continents), e.g. COVID-19, MERS-CoV, SARS, Influenza.</p> <p>The COVID-19 outbreak in Malaysia started in January 2020 with case numbers beginning to escalate in early March 2020. The Bank has taken precautionary measures since early March 2020 to support the Government's initiative on containing the outbreak. These measures include:</p> <ol style="list-style-type: none"> <li>Weekly communication issued by Corporate Communications and Group Human Resource to all staff on awareness of pandemic information and personal hygiene;</li> <li>COVID-19 screening for staff who had travelled overseas before March 2020, and for staff who had come in contact with COVID-19 positive cases, including enforcement of home-quarantine for these impacted staff;</li> <li>Implementation of health and safety measures and personal hygiene measures such as provision of facemasks for staff, allocation of hand sanitisers at every floor and at common areas; and</li> <li>Sanitisation and disinfection of BPMB's Office on a regular basis and temperature checks at entry point through a thermal scanner installed at Menara Bank Pembangunan's entrance lobby.</li> <li>Activation of the Bank's Business Continuity Plan (BCP) by the Crisis Management Team (CMT) since March 2020, to support the initiatives on the containment of the outbreak. The measures adopted and implemented by the Bank in managing the COVID-19 pandemic, as approved by the CMT included:</li> <li>Limiting workforce capacity to bare minimum in line with the MKN's Standard Operating Procedure (SOP). This includes a split working arrangement involving Main Office, alternate sites and working from home (WFH);</li> <li>Controlled visitor access and implementation of specific measures upon check-in to the building including obtaining visitor declarations for record;</li> <li>Upgraded technology and infrastructure readiness including video-conferencing solutions for ease of virtual meeting arrangements during the MCO, i.e. Zoom Cloud Meeting,</li> <li>Enhanced guidelines and procedures to align with the Standard Operating Procedure (SOP) for Financial Sector by Bank Negara Malaysia (BNM) in order to support offsite operations; and</li> <li>Sourcing for a new alternate recovery site for BPMB's business operations in order to comply with prescribed social distancing guidelines.</li> </ol>

**6. IMMEDIATE RISKS**


Identifying and monitoring top and immediate risks are integral to the Group's approach to risk management. The identification and prioritisation of key risks facing the Group is critical in enabling the Group to proactively plan for a holistic management of these risks, amongst others, across the Group. Some of the key concerns for the Group are:

**a. Regulatory Changes and Requirements**



An evolving landscape of regulatory requirements means that governments and regulators in numerous jurisdictions are expected to continue to develop and introduce regulations which may impose new requirements, including but not limited to the areas of capital and liquidity management, corporate structures, conduct of business, corporate governance and operational risks.


**b. Concentration Risk and Connected Lending**



Concentration risk continues to be one of the Bank's major concerns due to our localisation approach and the limitation in providing towards our mandated role and the business sector. The Bank is currently observing the Connected Party Limit to mitigate rising concentration risk.

The adoption of Single Customer Limit/Single Counterparty Exposure Limit and Connected Parties Limit is to extend financing facilities including investments to connected parties which are of good credit standing in the ordinary course of the business. This is to ensure that connected parties, by virtue of their position that could potentially exert influence over the Bank, do not inappropriately benefit from such transactions to the detriment of the Bank.

**c. Cyber Security and Data Confidentiality**



The increasing frequency and severity of cyber incidents including data breaches in recent years point to growing cyber security risks. As technologies evolve and become increasingly dominant in our operations, managing and maintaining a combination of IT systems and information have become the main concern of the Board and Senior Management towards ensuring resiliency of the Bank's operations against cyber threats.

As part of our approach in addressing data security risks and vulnerabilities, continuous assessment and heightening of cyber security controls have improved the capabilities of cyber perimeter defence in protecting the Bank's IT infrastructure and systems from intruders as well as preserving the confidentiality, integrity and availability of the Bank's information. In line with the new cyber security requirements enforced by the regulators, the Bank has implemented additional cyber security control measures such as secure network access, endpoint security protection, sandboxing capability, advanced persistent threat, security incident and event management capability and data loss prevention solutions to ensure a robust technology infrastructure along with the necessary detective and preventive measures.

**d. Movement in Interest Rates**



Any interest rate movement will have an impact on the margins of the Bank's fixed rate financing portfolio. However, the interest rate risk is managed within the risk appetite of the Bank and with well-established controls.

**e. Data**



Modern techniques of risk management, reflected in the methodological approach of Basel II, involve the estimation of probabilities of default and loss-given-default on customers' financing portfolio. The Bank will continuously ensure that accurate data is maintained for Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD)/collateral value used in arriving at the level of provisioning required.

**f. Changes in Market Structure and Growing Competition**




Changes in the financial market structure such as privatisation, increased entry by commercial banks and financial innovations have significantly altered the competitive environment faced by BPMB. Commercial banks intensify competition with access to cheaper financing. Their competitive advantages are often enhanced by greater operating efficiency and better technology.

On the one hand, the erosion in pricing power (i.e. less ability to lower deposit rates and raise financing rates) reduces earnings and increases the incentives for risk-taking on the part of the banks. Moreover, competitive pressures might also lead to mispricing.

On the other hand, the presence of other commercial banks can also enhance financial stability by improving risk management among competitors. Improvements in measuring expected and unexpected losses are also needed in order to increase the use of risk-based pricing.

**g. Shariah Non-Compliance**



Shariah non-compliance risk as defined by BNM in its Policy Document of Shariah Governance (2019), is the risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which the Bank may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM or decisions or advice by the Shariah Committee.

The Bank has established relevant policies for a sound Shariah governance framework to facilitate a strict adherence to the regulatory and Shariah requirements. More training and awareness sessions in Shariah risk related matters were organised for BPMB staff, to ensure staff are equipped with adequate knowledge to be applied in business operations.

**GROUP RISK MANAGEMENT**

**h. Reputation**



Upholding the Bank's good reputation is of paramount importance, particularly as it is undergoing a strategic transformation process. Embracing a strong risk and compliance culture is pertinent for all Bank employees as this will help to guide and encourage all staff to discharge their duties with integrity, and in doing so, help protect the Bank's reputation. The Bank ensures that awareness programmes for all staff are conducted periodically.

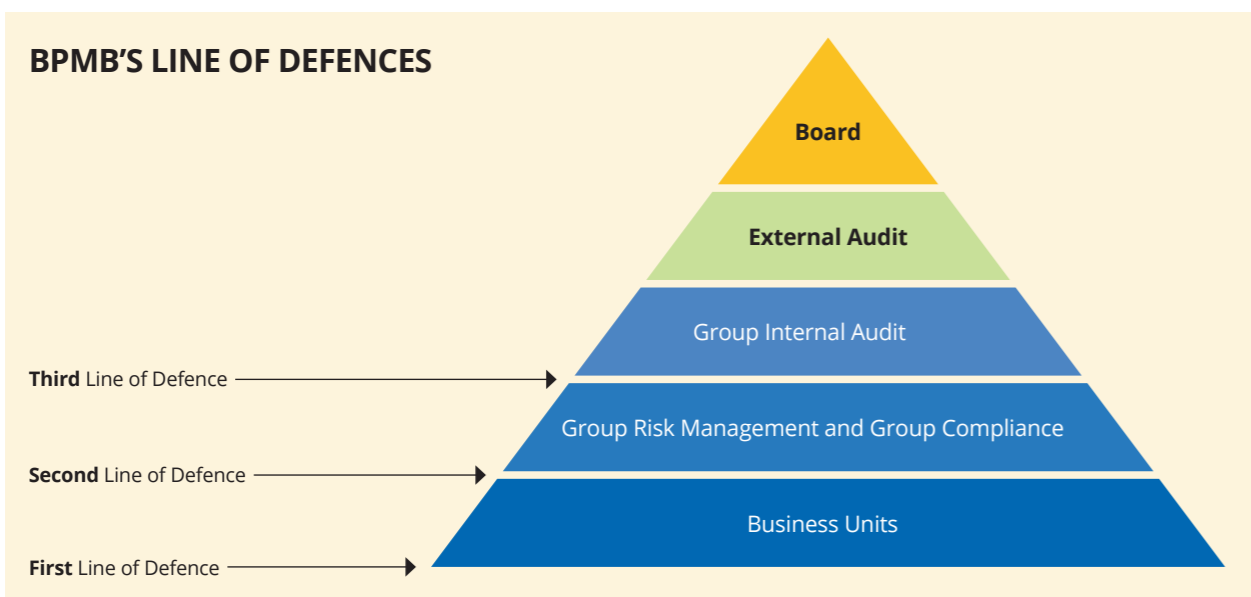
**i. Climate Change**



As part of the Bank's Environmental, Social and Governance (ESG) framework, the management continues to identify climate change risk as an emerging risk in 2020. Climate change risk refers to risk resulting from the effects of global warming. In December 2019, BNM issued a Discussion Paper on Climate Change and Principle-based Taxonomy highlighting the risks and impact of climate change. GRM undertook a rationalisation of its corporate structure and dedicated one headcount to manage risks related to climate change. In 2020, GRM continued its capacity building on the subject matter and plans have been put in place to adopt a taxonomy and establishment of a Climate Change Risk Framework/ Policy in 2021. Once the framework/policy is in place, the Bank plans to adopt the recommendations set forth by the Taskforce on Climate-related Financial Disclosures (TCFD).

**7. GOVERNANCE AND RISK OVERSIGHT**

The Group adopts the "3 Lines of Defence" model in managing risk, placing accountability and ownership of the business process across distinct functions and ensuring an appropriate level of independence and segregation of duties. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of committees, business lines, control and reporting functions.



The following illustrates the Risk Management Governance structure adopted by the Bank, which is guided by BNM's Risk Governance Policy, Guidelines on Corporate Governance for Development Financial Institutions and the Shariah Governance Policy Document.

**Board of Directors**

The Board of Directors has the ultimate responsibility for the sound and prudent management of the Group. This includes responsibility for risk oversight and ensuring appropriate risk management frameworks and policies are established and implemented accordingly for the various categories of risk exposures within the Group.

**Board-Level Committees**

<b>Board Risk Management Committee (BRMC)</b>	The BRMC is a Board-level committee responsible for overseeing the Group's risks. It is primarily responsible for the oversight of Senior Management's activities in managing the key risk areas of the Group and to ensure the appropriate risk management infrastructure, resources and processes are in place and functioning effectively.
<b>Board Credit Committee (BCC)</b>	The BCC is tasked by the Board to review financing approvals and the credit risk portfolio.
<b>Board Nomination &amp; Remuneration Committee (BNRC)</b>	The BNRC is appointed to oversee the establishment and implementation of remuneration policies and structures. This includes ensuring such policies and structures do not induce excessive risk-taking yet are able to reinforce prudent risk-taking.
<b>Board Audit Committee (BAC)</b>	The BAC provides independent oversight to review the financial conditions of the Bank and BPMB Group's financial reporting processes and internal controls and ensuring checks and balances within BPMB Group, performance and findings of the internal auditors and to recommend appropriate remedial action regularly.
<b>Board Information Technology Committee (BITC)</b>	The BITC has oversight function on the implementation of technology-related strategies and initiatives of the Bank and ensuring that the management of technology risk is embedded within the overall risk management framework.

**Shariah Committee**

The Shariah Committee reports directly to the Board and undertakes a fundamental role in ensuring the Group's compliance with Shariah requirements. The Shariah Committee is responsible for deliberating and providing decisions, views and advice on Shariah matters/issues, as well as Shariah compliance oversight on the Group's Islamic business operations/activities.

**Management-level Committees**

<b>Management Risk Committee (MRC)</b>	The MRC is a Management-level committee responsible for the management of all material risks within the Group.
<b>Asset and Liability Committee (ALCO)</b>	The primary objective of the ALCO is to perform the oversight function and to deliberate key issues related to the Bank's asset and liability management and market risk.
<b>Group Credit Committee (GCC)</b>	The GCC forms part of the risk governance for managing credit/ investment risks within the Group. The committee is empowered to approve credit/ investment related proposals which fall within their authority.
<b>Business Continuity Management Committee (BCMC)</b>	The BCMC is tasked with overseeing the Business Continuity Management (BCM) of the Group, which includes approving relevant BCM documents such as the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP).
<b>Executive Committee (EXCO)</b>	The responsibilities of EXCO include but are not limited to approving, reviewing, advising, guiding and making recommendations (where applicable) to the Board of Directors (Board) (of each company) for consent, concurrence or approval on: <ol style="list-style-type: none"> <li>Implementation and enforcement of business strategies, directives, action plans and budgeting in line with the mandated roles;</li> <li>General management issues related to operational policies, guidelines, procedures, controls and systems;</li> <li>Direct Corporate Investment in subsidiaries and associate companies;</li> <li>Other operational issues (including but not limited to IT, Human Resources, Public Relations, Marketing, Advertisements, etc.);</li> <li>Any other areas as determined by the President/Group Chief Executive Officer from time to time.</li> </ol>

To ensure that risk governance remains strong and relevant, GRM continues to embed robust risk governance and accountability within the Group. It also ensures adherence to dynamic global and local regulatory requirements and risk management practices across the Group.

## GROUP RISK MANAGEMENT

### 8. RISK AND COMPLIANCE CULTURE

The risk and compliance culture of the Group permeates all levels of business and activities within the Bank as it is driven from the top and complemented with the tone from the middle. As an essential building block for effective risk governance, this culture is continuously promoted to ensure that it is embraced and exhibited in the behaviour of each individual within the organisation.

As part of the risk and compliance culture, the Group has also striven to instil a compliance culture where the Board, Senior Management and all employees of the Group are committed to adhere to relevant laws, rules, regulations and regulatory guidelines. The Group's commitment is clearly demonstrated through the establishment of strong compliance policies and guidelines to ensure that the Group's non-compliance risks are effectively managed. Such measures help lower potential costs arising from regulatory penalties, as well as protect the Group's integrity and reputation.

### 9. ACHIEVEMENTS FOR 2020

In the year 2020, Group Risk Management succeeded in completing the following initiatives:

#### Credit Risk

- Establishment of criteria for payment moratorium in relation to the COVID-19 pandemic
- Review and revision of Credit Risk Management Policy
- Acceptance of delivery of enhanced credit risk rating model

#### Market Risk

- Review of Asset and Liability Committee (ALCO) Composition
- Reestablishment of Contingency Funding Plan (CFP)
- Evaluation of the Application of Contingency Funding Plan (CFP) Countermeasures
- Review of Market Risk Management Framework
- Review of Counterparty Limits for FY2020

#### Operational & Shariah Risk

- Strengthened foundation of operational risk through establishment of governing framework/policy and its supporting guidelines based on new regulatory requirements and industry best practices. e.g.
  - Enhancement of the Operational Risk Management Framework;
  - Establishment of frameworks and policies for Technology Risk Management and Cyber Resilience
- Synergised business continuity management programme and activities to enhance business continuity preparedness and capability
- Improvised business continuity response and recovery during crisis situations
- Continuous engagement and awareness to instil operational risk management culture with one-on-one ORLO engagement sessions covering every function rolled out in 2020
- Risk Control and Self-Assessment (RCSA) exercise

and challenge session to improve the internal control through formalisation of action plan and enhancement process

- Review of the Bank's Key Risk Indicators which includes proposing new and re-assess the existing internal KRIs

#### Risk Strategy

- Revision of the BPMB Authority Matrix
- Revision of the Group Governance and Risk Management Framework
- Quarterly Climate Change Risk reporting to BNM, in line with the BNM Discussion Paper on Climate Change and Principle-based Taxonomy
- Collaboration with Group Finance to conduct the BNM Bottom-Up Stress Testing

#### Credit Portfolio & Policy Management

- Enhanced Credit Portfolio Risk (CPR) Report to include more in-depth analysis across the Bank's portfolio
- Review of the Guidelines on Best Practices for Single Counterparty Exposure Limit (SCEL) and Single Customer Limit (SCL)

The Group has taken the initiative to adopt a more forward-looking approach to capital management and develop more rigorous risk management techniques.

The Group's state of implementation of these initiatives is reported to the MRC, BRMC and the Board on a regular basis, thus ensuring that the Management and Board are kept informed and continue to maintain oversight of the risks undertaken by the Group.

### 10. RESOURCES AND SYSTEM INFRASTRUCTURE

In 2020, GRM successfully completed the following activities:

- Merging of Portfolio & Risk Strategy to align synergies and resource maximisation
- Capacity building of Operational Risk Function i.e. IT Risk, BCM and infrastructure of Credit Risk to support Business Banking and Business Plan expansion

### 11. RISK AND OPPORTUNITIES IN OUR OPERATING ENVIRONMENT

The Bank undertakes a proactive approach in identifying emerging risks and opportunities in our operating environment. GRM regularly reports these emerging risks in the Bank's operating environment to MRC and BRMC.

Throughout 2020, the ramifications of the COVID-19 pandemic have continued to increase, fanning out from Asia to various parts of Europe and to the rest of the world. As a result, the Malaysian banking industry performed below par in 2020. A majority of sectors within the Malaysian economy were also affected in varying degrees.

The tourism and hospitality sectors in particular, are fighting to restore consumer confidence amidst an atmosphere of restrictive regulations such as border closures and social distancing, as well as dwindling reserves due to the need to sustain fixed costs of operations and financing of payment obligations. In view that the Malaysian economy is not expected to recover fully from

the pandemic within the next few years, BPMB supports BNM's relief measures and initiatives for Small and Medium Enterprises and Corporates to alleviate short-term cash flow uncertainties faced by affected customers. Approvals for Moratorium on financing payments have been extended to existing customers and new/fresh impairment is expected to be contained.

As COVID-19 vaccines continue to undergo further development, approval and deployment across the globe, consensus economic forecasts for global economic growth are generally being revised upwards. However, positive growth in 2021 will largely be attributable to a low-base effect, and not all sectors are expected to experience immediate or similar levels of growth. Default risk could remain heightened for some time, due to tight liquidity and financial flexibility, before the economic cycle turns toward more sustainable growth.

























Asset quality is expected to remain pressured by the resurgence of COVID-19 infections dampening economic activities as well as business and consumer sentiment. We also expect average credit rating bands to face downward pressure as the FY2020 financial performance of borrowers/customers continues to be reflected in the rating model. To account for the risks arising from COVID-19, the Bank conducts quarterly ad-hoc stress tests to simulate impact to the Bank's capital. Based on the results of these tests, BPMB remains well-positioned and able to withstand impact to our capital.

Within the industry, the current profitability levels of banks remain resilient, bolstered by




























strong banking fundamentals. Looking ahead, we expect the industry to remain well-positioned in maintaining and enhancing its competitive edge, supported by a high level of public confidence in the banking system as well as ongoing efforts to embrace new technologies.

It is however, paramount to note that the rapid digitalisation of the financial sector inherently increases the exposure of financial institutions to cyber attacks. Such attacks have the potential to cause material disruptions to financial services that can impact the stability and integrity of the financial system. The increasing sophistication of attacks calls for corresponding measures, both at institution and system-wide levels, to support a financial sector that is both technologically innovative and resilient to cyber threats.

# STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS	ENGAGEMENT PLATFORMS	KEY AREAS OF CONCERN	OUR ACTIONS
 <p><b>Regulator</b></p> <ul style="list-style-type: none"> <li>Bank Negara Malaysia (BNM)</li> </ul>	 Meetings  Forums  Dialogue Sessions  Presentations  Reporting	<ul style="list-style-type: none"> <li>BPMB to remain relevant</li> <li>Ability to measure impact for projects financed by the Bank</li> <li>Achieving the targets set under the Performance Measurement Framework</li> <li>Cultivation of an ethical and risk-aware culture compliant with regulations</li> </ul>	<ul style="list-style-type: none"> <li>Financed four projects in the underserved and unserved segment</li> <li>Launched MIND (Measuring Impact on National Development) Assessment Framework</li> <li>Ongoing engagement with BNM</li> <li>Provided Statement of Corporate Intent &amp; Annual Funding Requirement</li> <li>Continuous seminars/trainings to ensure all regulatory requirements are implemented</li> <li>In the process of gaining Anti-Bribery Management System (ABMS) certification from SIRIM Bhd</li> </ul>
 <p><b>Key Ministries</b></p> <ul style="list-style-type: none"> <li>Ministry of Finance (MOF)</li> <li>Economic Planning Unit (EPU)</li> <li>Ministry of Tourism, Arts and Culture (MOTAC)</li> <li>Ministry of Science, Technology, and Innovation (MOSTI)</li> </ul>	 Meetings  Forums  Dialogue Sessions  Presentations  Government Programmes  Reporting	<ul style="list-style-type: none"> <li>Ability to support the Government in financing high risk and long-tenor developmental projects</li> <li>Outreach to the underserved and unserved sectors</li> <li>Participation in the 12<sup>th</sup> Malaysia Plan (12MP) 2021–2025</li> </ul>	<ul style="list-style-type: none"> <li>Provided continuous financing to the strategic sectors</li> <li>Ongoing dialogue with Finance Minister</li> <li>Submitted proposal on National Budget 2020</li> <li>Continued marketing of the Bank's dedicated schemes (Sustainable Development Financing Scheme (SDFS), Industry Digitalisation Transformation Scheme (IDTS), Tourism Infrastructure Scheme (TIS), Maritime &amp; Logistics Scheme (MLS), Public Transportation Scheme (PTS) and National Development Scheme (NDS)</li> <li>Established MoU with MOSTI Agencies (i.e. Kumpulan Modal Perdana &amp; Malaysian Technology Development Corporation)</li> <li>Financed six projects which have been identified as key national focus areas</li> </ul>
 <p><b>Government Agencies</b></p> <ul style="list-style-type: none"> <li>Malaysia Investment Development Authority (MIDA)</li> <li>Malaysian Industry-Government Group for High Technology (MIGHT)</li> <li>Malaysia Digital Economy Corporation (MDEC)</li> </ul>	 Meetings  Forums  Dialogue Sessions  Programmes  Knowledge Sharing Sessions	<ul style="list-style-type: none"> <li>Promoting the Bank's Special Schemes (SDFS, IDTS, PTS, MLS, TIS &amp; NDS)</li> <li>Keeping up to date with rapid developments in technology in order to support the high technology sector</li> <li>Providing assistance for evaluation of projects under IDTS</li> </ul>	<ul style="list-style-type: none"> <li>Engaged closely with MIDA for the promotion of manufacturing and services sectors</li> <li>Established collaboration with MIGHT and MDEC</li> </ul>
 <p><b>Strategic Partners</b></p> <ul style="list-style-type: none"> <li>World Bank</li> <li>China Construction Bank (CCB)</li> <li>Islamic Development Bank (IDB)</li> </ul>	 Meetings  Forums  Programmes  Knowledge Sharing Sessions	<ul style="list-style-type: none"> <li>Measuring impact to projects financed by the Bank</li> <li>Knowledge sharing</li> <li>Potential syndication projects</li> <li>Development of Wakaf Assets</li> </ul>	<ul style="list-style-type: none"> <li>Engaged the World Bank to develop an Impact Assessment Framework which was launched as MIND</li> <li>Signed MoU with CCB (M) Bhd</li> <li>Speaking engagement at "Infrastructure Financing" forum in collaboration with CCB (M) Bhd</li> <li>Established collaboration with IDB</li> </ul>

**STAKEHOLDER  
ENGAGEMENT**

KEY STAKEHOLDERS	ENGAGEMENT PLATFORMS	KEY AREAS OF CONCERN	OUR ACTIONS
<p> <b>Associations/Membership</b></p> <ul style="list-style-type: none"> <li>Association of Development Finance Institutions of Malaysia (ADFIM)</li> <li>Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)</li> <li>Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI)</li> <li>China-ASEAN Inter-Bank Association (CAIBA)</li> <li>United Nation Environment Programme (UNEP)</li> <li>The Business Council for Sustainable Development (BCSD) Malaysia</li> <li>30% Club Malaysia</li> </ul>	<p> <b>Forums</b></p> <p> <b>Dialogue Sessions</b></p> <p> <b>Programmes</b></p> <p> <b>Knowledge Sharing Sessions</b></p>	<ul style="list-style-type: none"> <li>Alignment of the Bank's goal with SDGs and Islamic financing principles</li> <li>Best practice exchange across banking industry</li> <li>Participation in structured peer learning and capacity building activities</li> <li>Assisting Government to enhance the infrastructure of the nation</li> <li>Leveraging understanding of other organisations to adopt ongoing initiatives in blue, green, circular economies, human rights and others</li> </ul>	<ul style="list-style-type: none"> <li>Became the 1<sup>st</sup> Malaysian DFI member of UNEP FI</li> <li>Speaking engagement at UNEP FI's 1<sup>st</sup> Anniversary</li> <li>Sponsored and hosted "Global Online DFI Forum 2020" in collaboration with ADFIM</li> <li>Became a member of BCSD Malaysia</li> <li>Became a member of 30% Club Malaysia</li> </ul>
<p> <b>Customers</b></p>	<p> <b>Site Visit</b></p> <p> <b>Networking</b></p> <p> <b>Forums</b></p> <p> <b>Advisory</b></p> <p> <b>Engagements</b></p>	<ul style="list-style-type: none"> <li>Assistance to affected customers during COVID-19 pandemic</li> <li>Customer outreach</li> <li>Supporting SDG #8 – Decent Work &amp; Economic Growth and SDG #9, Industry, Innovation &amp; Infrastructure</li> </ul> <p></p>	<ul style="list-style-type: none"> <li>Preserved customers' income via Moratorium</li> <li>Participated in RTM Biz Interview "Prihatin Rangsang Permintaan"</li> <li>Speaking engagement at "Ship Finance Restructuring Insolvency During the COVID-19 Era" forum</li> <li>Speaking engagement at "Maritime Fund" forum</li> <li>Speaking engagement at "Infrastructure Financing" forum in collaboration with CCB (M) Bhd</li> <li>Developed Islamic Hire Purchase for Pembangunan Leasing Corporation's customers</li> </ul>
<p> <b>Employees</b></p>	<p> <b>Meetings</b></p> <p> <b>FEET'S App</b></p> <p> <b>Sports Club Activities</b></p> <p> <b>Townhall</b></p> <p> <b>Core Value Engagement</b></p> <p> <b>Employee Engagement Survey</b></p>	<ul style="list-style-type: none"> <li>Capability development</li> <li>Health and Safety</li> <li>Workplace environment</li> <li>Workplace culture</li> <li>Supporting SDG #8 – Decent Work &amp; Economic Growth</li> </ul> <p></p>	<ul style="list-style-type: none"> <li>Ongoing provision of capability development</li> <li>Ongoing revision of remuneration and benefits</li> <li>Continuous staff engagement</li> <li>Rolled out BPMB Prihatin</li> <li>Inculcated the Paradigm Shift</li> <li>Ongoing staff sharing sessions</li> </ul> <p> <a href="#">Read more about the Paradigm Shift from page 20 to 21</a></p>
<p> <b>Communities</b></p>	<p> <b>Community Events</b></p> <p> <b>Zakat/ Donation</b></p> <p> <b>Programmes</b></p> <p> <b>Corporate Social Responsibilities</b></p>	<ul style="list-style-type: none"> <li>Supporting Government's environmental preservation initiative</li> <li>Supporting SDG #4 – Quality Education</li> <li>Provision of assistance during COVID-19 pandemic</li> <li>Zakat Contribution</li> <li>Supporting SDG #10 – Reduced Inequalities</li> </ul> <p></p>	<ul style="list-style-type: none"> <li>Established Amanah Lestari Alam (ALAM)</li> <li>Became a member of PINTAR and launched SEEDS, a school adoption programme</li> <li>Contributed RM2.0 million to <i>Asnaf</i> students in eight local universities</li> <li>Collaborated with Lembaga Zakat Negeri Kedah to distribute food packs during MCO</li> <li>Provided full PPE suits worth RM695,000 to frontliners in Sabah and Sarawak</li> <li>Provided PPE, face shields, shoe covers, masks and gloves worth RM1.0 mil to three Government hospitals, Polis Diraja Malaysia (PDRM) and Angkatan Tentera Malaysia (ATM)</li> <li>Contributed RM1.0 mil and RM0.5 mil respectively to PPZ – MAIWP and Tabung Covid19 – JPM</li> </ul>



# VALUE FOR PEOPLE

Building a high-performance organisation with the ability to deliver impactful strategic outcomes is a critical component of BPMB's ongoing journey towards becoming Malaysia's leading developmental partner. To achieve this, we strive to create value for our people and help them reach their full potential by:

1. Nurturing our talent through learning and development initiatives
2. Creating a healthy and safe work environment for all employees and supporting their physical and emotional wellbeing through BPMB Prihatin.



BPMB is focused on building a high performance team that is dedicated to serving our nation.

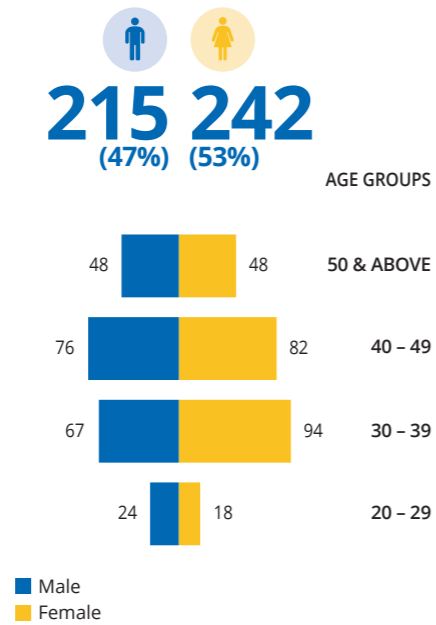
## OUR EMPLOYEES

Snapshot of BPMB Workforce as at 31 December 2020

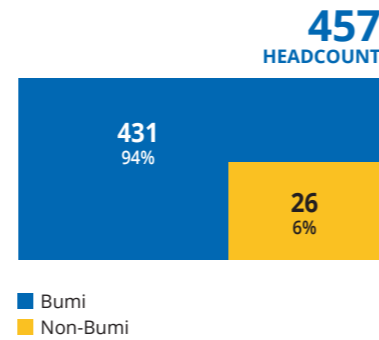
### TOTAL MANPOWER HEADCOUNT



### TOTAL MANPOWER BY GENDER/AGE



### TOTAL MANPOWER BY ETHNIC GROUP



## NURTURING OUR TALENT THROUGH LEARNING AND DEVELOPMENT INITIATIVES

We believe that promoting lifelong learning leads to stronger growth, better innovation and the ability to remain relevant in a fast-changing workplace. The Bank seeks to inculcate a healthy culture of learning to equip our workforce with the necessary skills required to deliver BPMB's mandate. This year, we refreshed our learning approach to foster a better balance between leadership and technical/functional skills required for the future economy.

### BPMB Learning and Development as at 31 December 2020

2020 has been a challenging year, especially for face-to-face training, due to the COVID-19 pandemic crisis. Total Staff Training Expenditure (STE) utilisation amounted to RM2.06 Mil in 2020, exceeding the 2.5% minimum BNM STE requirement, despite the exemption given by BNM on the said requirement.

On average BPMB Staff attended 38 training hours; equivalent to 4.8 training days in 2020.

Some of the key development programmes implemented in 2020 include:

- **Building Leadership Capabilities**

The Bank embarked on a programme to develop the leadership capabilities of employees, from Team Contributors to Strategic Leaders, to acquire and accelerate a set of key competencies specific to the organisation's requirements. A **Top Team Effectiveness and Coaching Programme** 12-month learning journey was implemented at Strategic Leaders (SL) level with the objective of developing effective leadership behaviours that improve team synergy, overall organisation and increased engagement levels and bottom-line performance.

Several other in-house leadership development programmes were also implemented, with a focus on Scenario Planning, Mindset of Excellence, Entrepreneurial Mindset and Corporate Opportunities. These programmes included exposure to best practices and industry leaders. The **Scenario Planning Programme** by MIGHT, which imparted a sound foundation in Scenario Planning towards enhancing effectiveness of long-term planning, was widely received.

Moving forward, the Bank plans to embark on more Leadership development interventions such as the **Coaching Skills Programme and BPMB Bespoke Leadership Development Series (Program Pembangunan I, II, III and IV)** for all levels of leaders. These programmes are currently in the pipeline for implementation in early 2021.



BPMB Strategic Leaders attending the Top Team Effectiveness and Coaching Programme at Casa del Rio, Malacca (1 - 3 October 2020)

VALUE FOR PEOPLE

Embracing the 'Core Values' as the foundation of BPMB Leadership Development Programmes.

At BPMB, we strongly believe that the Bank's core values should serve as the foundation of our leadership development programmes with our business

strategy forming the context of these programmes. This will enable us to develop not just successful leaders, but also effective leaders with the skills and desired attributes that align with BPMB's core values.

In light of this, the Bank rolled out the BPMB Journey of **OUR**

New EmploYees Programme (JOURNEY) for new joiners. The JOURNEY programme incorporates four Core Values.

To inculcate the Core Values as part of our DNA, a customised BPMB Core Values Programme is also in the pipeline for implementation in 2021.

Building Technical and Functional Capability through Specialised Qualifications and Certifications

BPMB is committed to elevating the quality of professionals within the Bank through enrolments


to professional qualification and specialised certification programmes. 2020 marks the third year of the implementation of our 5-Year Capability Building Roadmap (2018 – 2022). The enrolment status to date, is shown below:

Enhancing Learning Methods


To further widen our range of learning approaches, an e-learning platform with Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) online modules was introduced for all employees. More online modules will be rolled out in the forthcoming years.

CORE  
VALUES


### Back-to-Basic Principles




**I am worthy of your trust**



**I will speak and seek the truth**



**I will seek knowledge to remain relevant**



**I will not let you down**

Virtual Knowledge Sharing Sessions by Renowned Global Speakers.

In pursuit of excellence and knowledge sharing, we

engaged several renowned global speakers in 2020 to share insights of their experience throughout their career journey.

2020 Knowledge Sharing Sessions

HOLISTIC LEADERSHIP LECTURE 11 DECEMBER 2020

5 Leadership Traits of the Prophet Muhammad

Norwegian Refugee Council Assisting displaced people around the world 11 JUNE 2020

VIRTUAL INSIGHTFUL SESSIONS

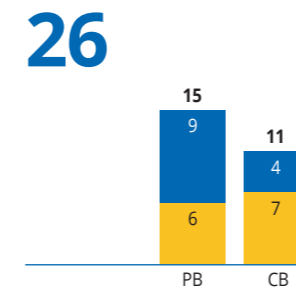
BPMB Digital Transformation at Scale

Guest Speaker Alvin Foo

Guest Speaker Nina Meyer Steen

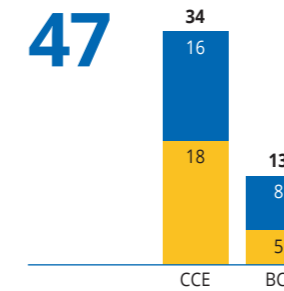
Guest Speaker Alvin Foo

CHARTERED BANKER QUALIFICATION (CB)



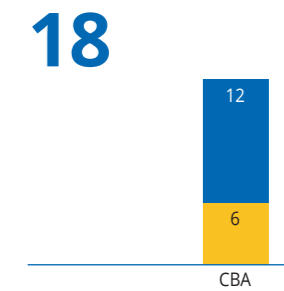
PB – Professional Banker  
CB – Chartered Banker

PROFESSIONAL CREDIT CERTIFICATION (PCC)

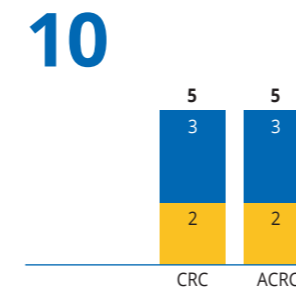


CCE – Certified Credit Executive  
BCP – Business Credit Professional

CERTIFICATION FOR BANK AUDITORS (CBA)

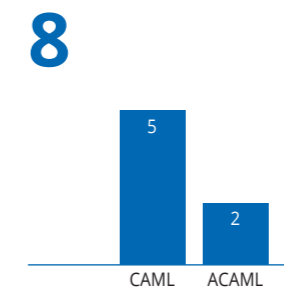


PROFESSIONAL QUALIFICATION IN REGULATORY COMPLIANCE (RC)



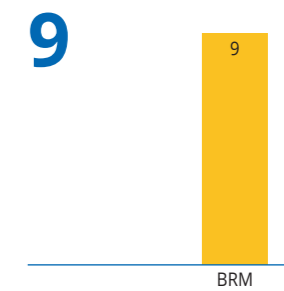
CRC – Certification in Regulatory Compliance  
ACRC – Advanced Certification in Regulatory Compliance

PROFESSIONAL QUALIFICATION IN AML/CFT

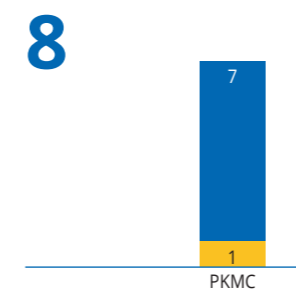


CAML – Certification in AML/CFT  
ACAML – Advanced Certification in AML/CFT  
CPFCC – Certified Professional in Financial Crime Compliance

BANK RISK MANAGEMENT (BRM)

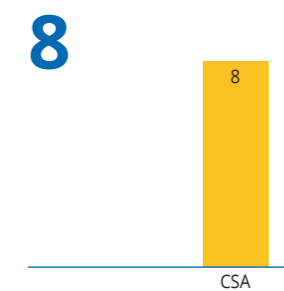


PASARAN KEWANGAN MALAYSIA CERTIFICATE (PKMC)

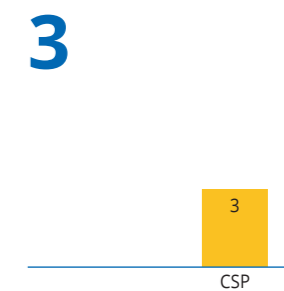


■ Completed ■ Pursuing

CERTIFIED SHARIAH ADVISOR (CSA)



CERTIFIED SHARIAH PRACTITIONER (CSP)



VALUE FOR PEOPLE

PROMOTING EMPLOYEE WELFARE THROUGH BPMB PRIHATIN



As a caring employer, the well-being of our employees is a top priority. We actively respond to their needs through the BPMB Prihatin (BPMB Cares) initiative as described below:

Naluri Community

Naluri Community is a holistic well-being programme that aims to help our employees achieve their healthiest and best self. The programme focuses on three areas:

- Educate & Guide to increase knowledge and raise awareness on wellness
- Screen & Assess to identify at-risk employees
- Intervene & Treat to attend to psychological and physical concerns

The key features of Naluri Community include:

- Remote Therapy to improve self-awareness and ability to process complex thoughts and emotions with expert help from a clinical psychologist.
- Dedicated 24/7 Helpline for immediate assistance from a certified counsellor.
- Dietitian Helpline which enables employees to speak to a registered dietitian for personalised nutrition advice and healthy food alternatives based on individual needs and preferences.
- Online Emotional Well-being Assessment which provides a quick and easy way to determine whether employees are experiencing symptoms of

a mental health condition.

- Easy-To-Follow Virtual Fitness Classes led by professional fitness coaches are available to employees to improve their physical and mental health.

E-Farma

- Introduced an online pharmacy which is made available at employees' convenience and provides an avenue for those with chronic illnesses to request long-term medication from the comfort of their homes.



FEET'S

- Launched FEET'S, an engagement and recognition mobile application to foster a better engagement culture. Key features include a two-way recognition platform, a suggestion box for idea generation, a 'makan buddy' feature to encourage staff bonding over mealtimes, a community portal, and a unique reward and redemption system. Reward points are redeemable



at various brand partners as well as at FEET'S vending machine which has been installed at BPMB's premises to enable easy redemption. Through FEET'S, we aim to:

- Leverage data analytics to better understand the needs of BPMB employees
- Elevate productivity and employee happiness
- Adopt HR best practices and engage with experienced professionals

Flexible Working Location Arrangement

- Implemented flexible working arrangements guided by Crisis Management Team (CMT), following the directions from the Federal Government and Government Agencies. This allows our employees to work at places other than the following locations and will enable

staff to remain efficient and productive in delivering against their performance goals:

- Menara Bank Pembangunan
- Disaster Recovery Centre (DRC)
- Alternate Recovery Site (ARS)

Financial Assistance for Employees

- As a caring employer, we always strive to provide financial aid in any possible way to support employees' needs and predicaments, as well as to nurture their children in pursuing their further education. In this context, we have introduced several schemes of Financial Assistance offered to all employees and their immediate family members as illustrated below.

WHAT ARE THE FINANCIAL ASSISTANCE SCHEMES OFFERED?

- Higher education institutions:**
  - First time enrolment to a higher education institutions in 2020.
  - Staff's children aged between 18-24 years old.
  - A Level / Matriculation / Diploma / Degree courses.
  - Support registration fees, books or laptop.
  - Up to RM1,000.00 per child.
- Education assistance for special children:**
  - Education purposes for staff having special children (aged 18 years old and below).
  - School registration fees, books & other education utilities.
  - One-off payment up to RM2,000.00 a year.
- Calamities:**
  - Natural catastrophe such as flood, fire, landslide etc.
  - One-off payment up to RM10,000.00 per occasion.
  - Loss of employment and salary cut during or after Movement Control Order (MCO) affecting spouse.
  - One-off payment up to RM5,000.00 per occasion.
  - Theft and robbery affecting staff or family members.
  - One-off payment up to RM3,000.00 per occasion.
- Medical Assistance:**
  - Congenital cases or any treatment/assessment. E.g. congenital heart disease.
  - For staff having special children on their medications e.g. autism.
  - Staff family members who have exceeded the yearly medical limit entitlement.
  - One-off payment up to RM1,000.00 a year.
- Emergency:**
  - Financial support on passing of staff's biological parents - additional RM500.00.
  - Half pay & no pay salary during Prolong Illness Leaves:
    - 6 months leave half pay = one-off payment up to RM5,000.00.
    - 6 months leave no pay = one-off payment up to RM10,000.00.



- In line with the Government's call for employers to support its endeavours under the Economic Stimulus Package (ESP) to cushion the impact of COVID-19 and support economic growth, the Board of BPMB approved a one-off financial assistance for eligible employees.

- The Bank provided monetary assistance of RM500 to every employee to welcome the Holy month of Ramadhan and to strengthen our faith during the blessed month.

Employee Engagement

- To commemorate the Merdeka celebration with 2020's theme 'Malaysia Prihatin', an engagement session was arranged to instil the spirit of patriotism in our employees, demonstrating the Rukun Negara and linking it with BPMB's core values.

SELAMAT BERPUASA

Assalam alaikum & good morning my dear colleagues,

It is a blessing that we are once again able to welcome the holy month of Ramadan. I am therefore delighted to announce that every employee will receive a cash payment of RM500 which replaces the AEON cash vouchers that we distributed previously. This cash payment will be credited into your payroll accounts on 30th April 2020.

May all our deeds and prayers strengthen our faith during this blessed month. Let's continue to be responsible Malaysians in helping the nation fight the COVID-19 pandemic.

I wish to thank each of you for your patience, understanding and dedication in these trying times.

Make the most of the month of Ramadan to be with your loved ones and remain positive throughout.

Stay safe, stay home, stay healthy.

#syukurselalu

BPMB Malaysia Development Bank

Staff who joined on & after 1st April 2020 and staff who have tendered resignation are not entitled to the above.



# HIGHLIGHTS OF THE YEAR

## JULY 2020

Contribution of 5,000 sets of Personal Protective Equipment (PPE) to Sabah State Health Department



Sustainability



Contribution of Moving Clinic (Klinik Bergerak) to Lembaga Zakat Negeri Kedah Darul Aman



Inclusivity

## SEPTEMBER 2020

Signing a strategic collaboration between BPMB and China Construction Bank



Economic



SEEDS Programme (Supporting English Empowerment to Drive Sustainability) kick-off event at SMK Seri Titiwangsa



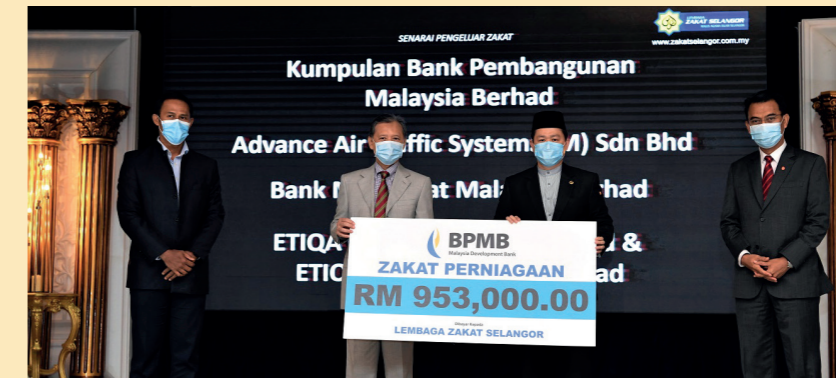
Sustainability

## SEPTEMBER 2020

BPMB officially joins PINTAR Foundation



Inclusivity



Mock cheque presentation ceremony of Corporate Zakat to Lembaga Zakat Selangor



Inclusivity

## NOVEMBER 2020

Contribution of 10,000 Sets of PPE to Healthcare frontliners in Sabah



Sustainability



Contribution of computers to SMK Seri Titiwangsa under the SEEDS programme



Inclusivity

HIGHLIGHTS OF THE YEAR

NOVEMBER 2020

BPMB contributes education funds amounting to RM2 million to eight public universities



Inclusivity



FEBRUARY 2021

Championing English Literacy Amongst Youths in a three-day workshop for students of SMK Seri Titiwangsa



Inclusivity



DECEMBER 2020

Strategic collaborations with Kumpulan Modal Perdana and Malaysian Technology Development Corporation



Digitalisation

MARCH 2021

BPMB Partners Pusat Pungutan Zakat-MAIWP to distribute assistance amounting to RM35,000 to 100 Asnaf children



Inclusivity



JANUARY 2021

BPMB partners Pusat Pungutan Zakat-MAIWP to donate basic food assistance to the Asnaf community amounting to approximately RM25,000



Inclusivity



BPMB inks deal with Pulau Indah Power Plant Sdn. Bhd. to co-finance development of a RM3.3 billion 1,200 MW power plant



Sustainability



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Sri Mohamed Nazir Abdul Razak**  
Chairman/Independent Non-Executive Director

**Ariff Rozhan**  
Independent Non-Executive Director

**Norazilla Md Tahir**  
Independent Non-Executive Director

**Datuk Zaiton Mohd Hassan**  
Chairman/Independent Non-Executive Director  
(retired with effect from 18 February 2021)

**Tan Sri Dr Rahamat Bivi Yusoff**  
Independent Non-Executive Director  
(retired with effect from 1 October 2020)

**Dato' Othman Semail**  
Non-Independent Non-Executive Director  
(retired with effect from 20 March 2021)

**Tan Lye Sim**  
Independent Non-Executive Director  
(retired with effect from 15 September 2020)

**Dr Mohamed Ashraf Mohamed Iqbal**  
Independent Non-Executive Director  
(resigned with effect from 28 February 2021)

**Dato' Wan Mohd Fadzmi Che Wan  
Othman Fadzilah**  
Independent Non-Executive Director  
(resigned with effect from 25 April 2021)

## PRESIDENT/ GROUP CHIEF EXECUTIVE OFFICER

**Arshad Mohamed Ismail**

## COMPANY SECRETARY

**Zarina Nadzimuddin (MAICSA 7060104)**

## SHARIAH COMMITTEE

**Associate Professor Dr Aznan Hasan**  
(Chairman)

**Associate Professor Dr Miszairi Sitoris**  
(retired with effect from 31 March 2021)

**Associate Professor Dr Noraini Mohd Ariffin**  
(retired with effect from 31 March 2021)

**Dr Ahmad Basri Ibrahim**  
**Ustaz Mohd Fadhly Md Yusoff**

## AUDITORS

**Ernst & Young (AF: 0039)**

## REGISTERED OFFICE

Level 16, Menara Bank Pembangunan, Bandar Wawasan  
No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur,  
Malaysia

## WEBSITE

[www.bpmb.com.my](http://www.bpmb.com.my)

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# DIRECTORS' REPORT

The directors have pleasure in presenting 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 to provide medium to long term credit and financing facilities under both Conventional and Islamic financial business to finance infrastructure projects, maritime, oil & gas, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy.

Information relating to principal activities of the subsidiaries are disclosed in Note 45 to the financial statements.

## RESULTS

	Group RM'000	Bank RM'000
Net profit for the year	107,083	100,820
Attributable to:		
Equity holders of the Bank	107,144	100,820
Non-controlling interests	(61)	-
	107,083	100,820

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 8, 9, 35 and 36 to the financial statements and the statement of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were mainly affected by the lower recognition of interest and profit income due to loan moratorium and repayment assistance provided to borrowers/customers and the recognition of higher Expected Credit Loss ("ECL") due to the application of management overlays to reflect the impact of COVID-19 pandemic.

## DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2019 were as follows:

Final single tier tax exempt dividend on 3,078,724,049 ordinary shares, amounting to RM152,213,638.40 (4.94 sen net per ordinary share), in respect of the financial year ended 31 December 2019 was approved on 10 April 2020 and paid on 25 June 2020.

Dividends recognised in the financial year by the Bank are:

	2020	
	Sen per shares	Total amount RM'000
Final 2019 ordinary, net of tax	3.25	100,000
Final 2019 special, net of tax	1.69	52,214
	4.94	152,214

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2020, on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM75,000,000 (2.44 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

# DIRECTORS' REPORT

## 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:

Dato' Sri Mohamed Nazir bin Abdul Razak	(appointed on 22 April 2021)
Ariff bin Rozhan	
Norazilla binti Md Tahir	(appointed on 14 August 2020)
Tan Lye Sim	(retired with effect from 15 September 2020)
Tan Sri Dr. Rahamat Bivi binti Yusoff	(retired with effect from 1 October 2020)
Datuk Zaiton binti Mohd Hassan	(retired with effect from 18 February 2021)
Dr. Mohamed Ashraf bin Mohamed Iqbal	(resigned on 28 February 2021)
Dato' Othman bin Semail	(retired with effect from 20 March 2021)
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	(resigned on 25 April 2021)

The names of the directors of the subsidiaries of the Bank since the beginning of the financial year to the date of this report are:

(i) Global Maritime Ventures Berhad	
Ariff bin Rozhan	(appointed on 29 July 2020)
Norazilla binti Md Tahir	(appointed on 28 September 2020)
Tan Sri Dr. Rahamat Bivi binti Yusoff	(retired with effect from 1 October 2020)
Datin Rashidah binti Mohd Sies	(resigned on 29 July 2020)
(ii) Pembangunan Leasing Corporation Sdn Bhd	
Arshad bin Mohamed Ismail	
Norazilla binti Md Tahir	(appointed on 15 December 2020)
Mohamad Rafi bin Shahzada	(resigned on 29 February 2020)
Dr. Mohamed Ashraf bin Mohamed Iqbal	(resigned on 28 February 2021)
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	(resigned on 25 April 2021)
(iii) SME Growth Acceleration Fund Sdn Bhd	
Nik Nor Aini binti Nik Mohamed	
Elioskarma bin Abdul Aziz	(appointed on 29 December 2020)
Razali bin Hassan	(resigned on 29 December 2020)
(iv) Emerald Upline Sdn Bhd	
Azmahnor binti Siarap @ Abdul Wahab	
Amreen bin Mohamed	(appointed on 1 September 2020)
Zulkeefli bin Mad Karim	(resigned on 1 September 2020)
(v) Maju Nominees (Tempatan) Sdn Bhd	
Azmahnor binti Siarap @ Abdul Wahab	(appointed on 26 November 2020)
Elioskarma bin Abdul Aziz	(appointed on 26 November 2020)
Roslina binti Mohamed	(resigned on 26 November 2020)
(vi) BPMB Urus Harta Sdn Bhd	
Elioskarma bin Abdul Aziz	
Azmahnor binti Siarap @ Abdul Wahab	(appointed on 9 November 2020)
Zulkeefli bin Mad Karim	(resigned on 9 November 2020)

## DIRECTORS' REPORT

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Bank was a party, whereby the 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, or the fixed salary of a full time employee of the Bank as shown in Notes 33 and 34 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## DIRECTORS' INTEREST

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

## INDEMNITIES TO DIRECTORS OR OFFICERS

The Bank maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Bank. The amount of insurance premium paid for any director and officer of the Bank during the financial year was RM458,507. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

## ISSUANCE OF ISLAMIC MEDIUM-TERM NOTE PROGRAMME ("IMTN")

On 12 October 2020, the Bank has issued an Islamic Medium Term Note ("Sukuk Wakalah Programme") of RM1.0 billion for additional working capital purposes. The term of the Sukuk Wakalah Programme is disclosed in Note 21(ii) to the financial statements.

## RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating
RAM Rating	22 October 2020	RM7.0 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA/Stable
MARC Rating	6 October 2020	RM5.0 billion Islamic Medium-Term Note Programme (IMTN) Programme	AAA with stable outlook

## BUSINESS OUTLOOK

The year 2021 is widely expected to bring much better prospects to the economy after almost a year of weakness following the pandemic. The discovery of vaccines had added on to the positive view. On top of that, the year 2021 will also mark the first year of the 12th Malaysia Plan in which it is widely expected that the government will introduce projects and initiatives that will accelerate Malaysia's technological advancement and sustainability agenda for the next 5 years.

Following the re-imposition of Movement Control Order ("MCO") in key states of the country effective from 14 January 2021, the first quarter of 2021 may see the economy to continue to show negative growth after contracting by 3.4% in the fourth quarter of 2020. Nonetheless, the low base factor may see a sharp rebound in the second quarter of 2021. The economic prospect has somewhat improved recently following the relaxation of the requirements for i-Sinar EPF withdrawals and the positive development on the domestic vaccination programme on the back of improving global economic conditions. Nonetheless, the Bank still expect real GDP to expand by 5 - 6% in 2021 as the Bank believe that as long as the job market continue to be weak, there will be limited boost to consumption coming from the EPF withdrawals and other cash handouts by the government

## DIRECTORS' REPORT

## BUSINESS OUTLOOK (CONT'D.)

At the end of 2020, the United State Dollar ("USD") was widely expected to weaken in 2021 on rising demand for riskier assets as the global economy recovers. Nonetheless, the markets turned around unexpectedly within such a short period. The much better-than-expected US economic performance led to the higher Treasury yields and the rebound in USD in January to February 2021. This trend is likely to prevail for the rest of the year supported further by the recently approved US stimulus package amounting to US\$1.9 trillion. The Bank now expect on MYR/USD to end the year at RM4.15 from RM4.10 previously.

Bank Negara Malaysia ("BNM") had decided to keep the Overnight Policy Rate ("OPR") unchanged at 1.75% at its Monetary Policy Committee meeting on 4 March 2021. In the statement following the meeting, BNM said that the risks to the growth outlook have abated slightly, but remain tilted to the downside, primarily due to uncertainty over the path of the COVID-19 pandemic and effectiveness of the vaccination programmes. The Bank believe that, the better-than-expected economic prospects in recent weeks is giving a breather to the monetary policy. The Bank now expect the OPR to remain at 1.75% at least until the end of the first half of 2021. As BNM put it in its statement, given the uncertainties surrounding the pandemic, the stance of monetary policy going forward will continue to be determined by new data and information.

The Bank expect the banking system to remain resilient with strong asset quality as well as capitalisation levels. Latest data on the banking system by BNM showed that the net financing and capital ratios remained stable despite the economic downturn in the last 12 months.

On the back of the forecast trajectory, the Bank performance should improve in line with the economic recovery albeit at a modest pace given the many headwinds casting downside risks. The upcoming 12th Malaysia Plan to be announced this year may give plenty of opportunities for the Bank to explore new sectors and boost our role as the catalyst for development with the likely greater emphasis on public-private partnership initiatives to drive the 5-year plan.

## 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 financing and bad debts and the making of impairment and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment and allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values 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) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad financing and bad debts or the amount of the impairment provision and 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 the current assets in the financial statements of the Group and of the Bank misleading.
- (c) 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) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the 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 or 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 or the Bank.
- (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 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 as and when they fall due other than those incurred in the normal course of business; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year which this report is made.



## DIRECTORS' REPORT

## SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 50 to the financial statements.

## SUBSEQUENT EVENTS

The subsequent events are as disclosed in Note 51 to the financial statements.

## AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remunerations are disclosed in Note 32 (iv) to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 28 May 2021.



Ariff bin Rozhan

Kuala Lumpur, Malaysia



Norazilla binti Md Tahir

## STATEMENT BY DIRECTORS

Pursuant to Section 251 (2) of the Companies Act, 2016

We, Ariff bin Rozhan and Norazilla binti Md Tahir, being two of the directors of Bank Pembangunan Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 103 to 226 are drawn up in accordance with Malaysian Financial Reporting Standards as modified by the specification provided by Bank Negara Malaysia as discussed in Note 2.1 to the financial statements 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 their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 28 May 2021.



Ariff bin Rozhan

Kuala Lumpur, Malaysia



Norazilla binti Md Tahir

## STATUTORY DECLARATION

Pursuant to Section 251 (1) (b) of the Companies Act, 2016 and Section 73 (1) (e) of the Development Financial Institution Act, 2002

We, Norazilla binti Md Tahir and Arshad bin Mohamed Ismail, a Director and the President/Group Chief Executive Officer, respectively, of the Bank who are primarily being responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 103 to 226 are to the best of our knowledge and belief, correct and we 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 at Kuala Lumpur in the Federal Territory on 28 May 2021.



Norazilla binti Md Tahir



Arshad bin Mohamed Ismail

Before me,




NAILAH RAMLI & PARTNERS  
NO.27-1 TINGKAT 1,  
JALAN SETIAWANGSA 3,  
TAMAN SETIAWANGSA 3,  
54200 KUALA LUMPUR

# SHARIAH COMMITTEE'S REPORT

In the Name of Allah, The Compassionate, The Most Merciful  
Praise be to Allah and peace be upon His messenger, his family and his companions.

*Assalamualaikum Warahmatullahi Wabarakatuh*

To the shareholders, depositors and customers of Bank Pembangunan Malaysia Berhad ("the Bank"):

## INTRODUCTION

In carrying out the roles and the responsibilities of the Shariah Committee of the Bank as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia and in compliance with our terms of appointment, we hereby submit the Shariah Committee Report for the financial year ended 31 December 2020.

### Management's Responsibility

The Management of the Bank shall at all times be responsible for ensuring that the Bank's aims and operations, business affairs and activities in relation to its Islamic financial business are conducted in accordance with Shariah.

### Shariah Committee's Responsibility

The Shariah Committee of the Bank shall be responsible to form an independent opinion, based on our review of the aims and operations, business, affairs and activities in relation to the Islamic financial business of the Bank and to produce this report.

The Shariah Committee of the Bank is assisted by the Secretariat and Internal Control Functions which are established to carry out the specified roles under the Shariah governance requirements. These functions are carried out by Group Shariah Management, Group Risk Management, Group Compliance, and Group Internal Audit. Generally, the roles of these functions include conducting Shariah research and providing Shariah advisory, acting as the Shariah Committee's secretariat, handling zakat related matters, managing Shariah non-compliance risks, conducting Shariah review and Shariah audit in relation to Islamic financial business of the Bank.

During the financial year, there were twelve (12) meetings held by the Shariah Committee of the Bank in which we reviewed and deliberated on, among others, the products and services, transactions, processes and documents which were presented to us by the Bank. In performing our roles and responsibilities, we had obtained the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance on whether the Bank has complied with Shariah. Accordingly, we have also assessed the work carried out by Shariah review and Shariah audit for this purpose.

## SIGNIFICANT DEVELOPMENTS AND ACTIVITIES

Among the key developments and activities during the financial year are the approvals of enhancement on templates of legal documentation for the security document, enhancement on tawarruq term financing and deliberation on enhancement of policy and procedures. The Shariah Committee has deliberated in principle the application of Shariah contract of Hire Purchase-i and Industrial Hire Purchase-i.

The Shariah Committee has also deliberated on various issues with regard to the Full Fledged Islamic Development Financial Institution ("FFIDFI") Conversion Plan 2020 including a presentation to Jabatan Perbankan Islam & Takaful ("JPIT"), Bank Negara Malaysia ("BNM") on 'Disposal/Treatment on Shariah Non-Compliant Income: Development Financial Institution's ("DFI") Perspective'.

The Shariah Committee has also engaged with the Board on a number of occasions where matters pertaining to latest development of Islamic banking industry in general and also with regard to issues on the Structural Solution in the Treatment of Shariah Non-Compliant Income: DFI's Perspective. In addition, the engagement also touches Shariah governance matters and exploring new alternative financing structure.

As part of training and development program for Shariah Committee, all members have been enrolled into the certification programs namely Certified Shariah Advisor ("CSA") and Certified Shariah Practitioner ("CSP") by Association of Shariah Advisors in Islamic Finance ("ASAS"). Majority of the members have successfully completed modules in Level 1 of the program. In addition, the members also attended selected international and local trainings as part of their competency development program.

# SHARIAH COMMITTEE'S REPORT

## SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

The following are the other major developments and initiatives in relation to Shariah governance that took place during the financial year:

### a. Secretariat

Group Shariah Management undertakes the review and perusal of the issues, proposals and documents prepared by internal business and support functions for Shariah Committee's approval, deliberation and information. Group Shariah Management also provide Shariah advisory and endorsement as delegated by the Shariah Committee on the proposals by those functions.

The documents among others include the financing proposals by the Bank's business units as well as its subsidiaries, policies and procedures, guidance notes, letter of offers, legal documentation, marketing decks, the Bank's annual report and other operational support activities.

Throughout the financial year, Group Shariah Management had come out with research initiatives which will benefit the banking and finance industry in general for the following topics:

1. Review of Existing Zakat Computation for Bank Pembangunan Malaysia Berhad and Its Subsidiaries; and
2. Treatment of Portfolio Shariah Non-Compliant Income Post-Conversion into Full-Fledged Islamic DFI: Solution for BPMB

Group Shariah Management is also responsible for the management, payment and distribution of business zakat in ensuring the Bank complies with the established rulings in relation to business zakat. With this new mandate, Group Shariah Management has met the target of zakat distribution for 2019.

Apart from that, we also noted that Group Shariah Management had managed to conduct and compile Shariah research for Shariah Committee Resolutions in 2018 and 2019 as follows:

1. Process Flow and Policy for Distribution of Zakat
2. Computation of Zakat Base on BPMB's Capital
3. Self-Distribution of Zakat by the *Muzakki* (Paying Institution)
4. Use of Conventional Repo as a Temporary Measure to Mitigate Sudden Withdrawal of Conventional Deposits
5. Distribution of Tainted Income in The Charity Fund
6. Issues on BPMB's Staff Financing
7. Treatment of *Ta'widh* in Restructuring Exercise
8. Inaccurate Computation of Price for the Restructured Facility
9. Rectification by Rebate and Set Off Mechanism for Accounts Under *Tawarruq* Financing Affected Due To Operational Lapse
10. Notification Letter on the Change of Purchase and Selling Price To Be Deemed As Implied Consent
11. *Takyif Fiqhi* on Subsidies by Government of Malaysia on Financing Rate
12. Eligible Recipients (*Asnaf*) Under Category of *Gharimin*
13. Usage of Staple Food as Underlying Commodity for *Tawarruq* Transaction
14. Pre-Arrangement Between Commodity Brokers Under *Tawarruq* Transaction
15. Debt-To-Equity Swap By Utilizing *Bai' Dayn Bi Sila'* Arrangement (Ordinary Share or Preference Share as the Equity)
16. Shariah Requirement for Rescheduling and Restructuring
17. Interest Income Generated Due to Placement of Islamic Fund by Mistake Into Conventional Account
18. Change of *Ta'widh* Rate from IIMM Rate to 1% Per Annum as Compensation of Late Payment After Maturity
19. Capital Reallocation from Conventional Financial Business to Islamic Financial Business

## SHARIAH COMMITTEE'S REPORT

## SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

## b. Shariah Risk Management

The Shariah Risk Unit, which currently resides under the Operational & Shariah Risk of Group Risk Management has undertaken the responsibilities to facilitate the management of Shariah Non-Compliance risk for the Bank, which forms part of the Bank's risk management framework. This is also as referred in the BNM Policy Document on Shariah Governance, where Shariah risk management involves a systematic process for identification, measurement, monitoring and reporting of Shariah non-compliance risks in the operations, business, affairs and activities of the Bank.

During the financial year, we note that the Bank had strengthened the implementation of Shariah Risk Management, whereby the designated Operational Risk Liaison Officers ("ORLOs") at each business and support functions have been reporting the Shariah Key Risk Indicators ("KRI") on monthly basis. In addition, Shariah Risk Management had completed the 2019/2020 Risk & Control Self-Assessment ("RCSA") which includes Shariah non-compliance risks. The RCSA exercise has facilitated the management of Shariah Risk via the identification and assessment of the Shariah non-compliance risks exposures, and thereafter to establish the appropriate risk mitigation measures. Subsequently, the Shariah non-compliance risk exposures were monitored and tracked periodically.

As part of the continuous awareness efforts on Shariah non-compliance risk exposures in line with the BNM's expectation for a strong Shariah compliance culture, Group Risk Management has introduced a Shariah Risk Learning Program with 12 Modules (an infographic via email to all staff), effective from July 2020 and targeted to complete by June 2021.

For the financial year under reporting, there was no Shariah non-compliance event detected and reported by the designated ORLOs from the business Functions. Notwithstanding, Group Risk Management via Operational and Shariah Risk Function will continue to ensure adequate and competent resources and controls are put in-place in assuring that the Bank is in compliant with Shariah requirements.

## c. Shariah Review

Group Compliance, through its Compliance Review team continued to play a vital role by performing a regular assessment on the compliance of the operations, business, affairs and activities in relation to Islamic financial business carried out by the Bank do not contravene with the Shariah.

During financial year 2020, there were ten (10) Shariah compliance reviews conducted by Compliance Review team in accordance with the Shariah Compliance Review Plan approved by us for their implementation. The observations and area for enhancements identified as well as the proposed remedial rectifications measures to resolve non-compliances were presented and deliberated in our meetings.

The reviews conducted by the Compliance Review team were as follows:

1. *Tawarruq* Financing
2. *Tawarruq* Deposit
3. Management of Zakat and Shariah Non-Compliance ("SNC") Funds
4. Investment Activities
5. Islamic Financial Services
6. Accounts Under Recovery
7. Commodity Broker
8. Rescheduling and Restructuring
9. Application of *Rahn* Contract (Collateral) in Islamic Financing Facilities
10. Pembangunan Leasing Corporation Sdn. Bhd *Tawarruq* Financing

Apart from the regular assessment, an extensive focus was given to identify gaps in the Bank's operation which could hinder its adherence to the Shariah requirements and other applicable regulatory requirements. The appropriate internal controls were then implemented by the respective functions within the Bank and monitored accordingly by Compliance Review team.

## SHARIAH COMMITTEE'S REPORT

## SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

## d. Shariah Audit

The performance of audit to ensure a sound and effective internal control system for Shariah compliance in the Bank is within the responsibility of Group Internal Audit ("GIA") function specifically Shariah Audit Section. Shariah Audit Section reports independently to both the Board Audit Committee and the Shariah Committee. Shariah audit aims to provide independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the Islamic business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

Evaluation on the governance, risk management, controls and compliance with Shariah rules and principles is carried out by adopting Group Internal Audit's methodology which is in line with the Institute of Internal Auditors' ("IIA") standard. Where appropriate, recommendations for improvements and enhancements are made and thereafter reported to the Shariah Committee, Management Audit Committee and Board Audit Committee.

The Shariah Committee noted that, Group Internal Audit through Shariah Audit Section had conducted the following Shariah audit as part of the Shariah audit plan for the year 2020:-

1. Shariah Audit on Origination, Underwriting and Disbursement of Financing Facilities, which include selling process, credit evaluation, documentation and disbursement of the financing granted and utilization of the financing granted.
2. Shariah Audit on Post-Implementation review for the enhanced Islamic Factoring *Bai' Dayn Bi Al-Sila'* offered by the PLC Credit & Factoring Sdn Bhd ("PLCCF"). This audit covers:
  - the approved product proposal paper, legal documentations of Islamic Factoring *Bai' Dayn Bi Al-Sila'* to ensure appropriate approving authority had been obtained prior to the product launch;
  - the aqad execution sequence, subject matter of the contract, documentation and product's information disclosed in applicable documents to ensure the processes, execution, and Shariah terminologies of the document is consistent with Shariah principles as well as regulatory requirements; and
  - the product's operation, system, processes and existing policy, procedure and manuals in order to evaluate the adequacy and effectiveness of Shariah governance and internal control implemented by PLCCF.

## INITIATIVES ON TRAINING AND AWARENESS

In year 2020, a total of 342 staff had attended various Islamic finance, Shariah-related training programs and internal/external seminars includes among others as follows:

1. BPMB as an Islamic DFI: What Are the Expectations from Shariah Committee?
2. Certified Shariah Advisor (CSA) & Certified Shariah Practitioner (CSP) Level 2 Risk Management
3. CSA & CSP Level 2 Islamic Banking Products & Services
4. CSA & CSP Level 2 Islamic Products & Services
5. CSA Level 2 *Usul Mazahib*
6. CSA & CSP Level 2 Takaful
7. CSA & CSP Level 2 Corporate & Shariah Governance
8. CSA Level 2 Applied Shariah Research in Islamic Finance
9. CSP Level 2 *Al-Ijtihad, Ikhtilaf & Ifta'*
10. Accounting and Reporting for Islamic Financial Institutions
11. Fundamentals of Islamic Banking
12. Shariah Governance and Shariah Risk Management
13. Peranan Zakat Sebagai Instrumen Kewangan Sosial Islam Dalam Menangani Pandemik COVID-19
14. Holistic Leadership Lecture: The Role Model of Prophet Muhammad
15. Handling the Executive of Sale & Purchase of Commodity for *Tawarruq* Deposit Product

## SHARIAH COMMITTEE'S REPORT

## SHARIAH NON-COMPLIANT EVENTS AND DERECOGNISED INCOME

During the financial year 2020, we confirmed that there was no occurrence of Shariah non-compliance event and income.

## ZAKAT ON BUSINESS

The zakat on business for the financial year has been computed using the capital growth computation method at the rate of 2.5775%. The zakat amount is paid by the Bank to the states' zakat management agencies and eligible beneficiaries (*asnaf*) in Malaysia.

Throughout the year, the distribution proposals of zakat fund by the Bank to eligible beneficiaries (*asnaf*) were approved by the Shariah Committee.

## SHARIAH COMMITTEE OPINION

We had also reviewed the audited financial statements of the Bank's Islamic financial business for the financial year and confirmed that the financial statements are in compliance with Shariah.

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank in relation to its Islamic financial business during the financial year ended 31 December 2020 that were reviewed by us, are in compliance with Shariah; and
2. The computation and distribution of zakat fund are in compliance with Shariah.

We, being two (2) of the members of the Shariah Committee of Bank Pembangunan Malaysia Berhad, do hereby confirm that on behalf of the Shariah Committee, to the best of our knowledge and belief, the aims and operations, business, affairs and activities of the Bank in relation to its Islamic financial business for the financial year ended 31 December 2020 have been conducted in conformity with Shariah.

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

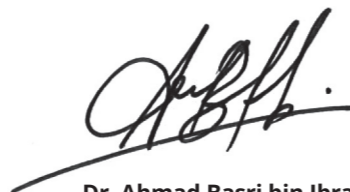
We beg Allah the Almighty to grant us all the Success and Straight-Forwardness and Allah Knows Best.

Signed on behalf of the Committee in accordance with a resolution of the Shariah Committee dated 28 May 2021.



**Assoc. Prof. Dr. Aznan bin Hasan**  
Chairman

Kuala Lumpur, Malaysia



**Dr. Ahmad Basri bin Ibrahim**  
Member of the Committee

## INDEPENDENT AUDITORS' REPORT

To the members of Bank Pembangunan Malaysia Berhad (Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Opinion

We have audited the financial statements of Bank Pembangunan 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 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 103 to 226.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of 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 as modified by the specification provided by Bank Negara Malaysia ("BNM Specification") as disclosed in Note 2.1 to the financial statements 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 information included in 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

## 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 of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards as modified by the BNM Specification 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.

## INDEPENDENT AUDITORS' REPORT

To the members of Bank Pembangunan Malaysia Berhad (Incorporated in Malaysia)

## 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 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.

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 (LLP0026760-LCA) & AF 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
28 May 2021



Muhammad Syarizal Bin Abdul Rahim  
No. 03157/01/2023 J  
Chartered Accountant

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Assets</b>					
Cash and short term deposits	4	1,035,238	2,648,922	861,787	2,371,020
Deposits and placements with financial institutions	5	185,772	924,915	51,137	882,828
Financial investments at fair value through profit or loss	6	45,566	-	45,566	-
Financial investments at fair value through other comprehensive income	7	6,131,538	5,023,965	6,131,538	5,019,020
Loans, financing and advances	8	15,584,069	15,701,772	15,394,417	15,545,685
Other assets	9	285,358	228,221	263,652	206,854
Investments in subsidiaries	10	-	-	254,767	255,426
Interest in associates	11	543	539	-	-
Interest in joint ventures	12	-	-	-	-
Property, plant and equipment	13	84,422	86,511	84,180	86,357
Investment properties	14	330	337	330	337
Intangible assets	15	6,110	6,790	6,045	6,596
Right-of-use assets	16(a)	331	357	301	314
Deferred tax assets	17	116,402	40,521	114,787	36,939
		23,475,679	24,662,850	23,208,507	24,411,376
Assets classified as held for sale	44	-	254	-	-
<b>Total assets</b>		<b>23,475,679</b>	<b>24,663,104</b>	<b>23,208,507</b>	<b>24,411,376</b>
<b>Liabilities</b>					
Deposits from customers	18	5,346,836	5,492,175	5,346,836	5,492,175
Deposits and placements from financial institutions	19	801,092	1,032,669	801,092	1,032,669
Other liabilities	20	101,306	122,449	49,627	79,893
Redeemable notes/Sukuk	21	8,249,316	7,293,172	8,249,316	7,293,172
Borrowings	22	508,466	2,175,728	508,466	2,175,728
Infrastructure support fund	23	304,503	439,129	304,503	439,129
Deferred income	24	201,800	212,255	201,800	212,255
Lease liabilities	16(b)	344	354	313	309
Deferred tax liabilities	17	59	383	-	-
<b>Total liabilities</b>		<b>15,513,722</b>	<b>16,768,314</b>	<b>15,461,953</b>	<b>16,725,330</b>
<b>Equity attributable to equity holders of the Bank</b>					
Share capital	25	3,078,724	3,078,724	3,078,724	3,078,724
Reserves	26	4,871,018	4,803,738	4,667,830	4,607,322
		7,949,742	7,882,462	7,746,554	7,686,046
<b>Non-controlling interests</b>		<b>12,215</b>	<b>12,328</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>7,961,957</b>	<b>7,894,790</b>	<b>7,746,554</b>	<b>7,686,046</b>
<b>Total equity and liabilities</b>		<b>23,475,679</b>	<b>24,663,104</b>	<b>23,208,507</b>	<b>24,411,376</b>
<b>Commitments and contingencies</b>	40(a)	<b>7,346,961</b>	<b>7,532,222</b>	<b>6,914,570</b>	<b>7,313,415</b>

The accompanying notes form an integral part of the financial statements

## STATEMENTS OF PROFIT OR LOSS

For the Financial Year Ended 31 December 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income	28	500,068	718,590	485,367	697,503
Interest expense	29	(163,049)	(238,540)	(163,047)	(238,537)
Net interest income		337,019	480,050	322,320	458,966
Net income from Islamic financial business	48	556,095	311,417	548,856	307,651
Non-interest income	30	54,260	29,938	51,438	63,185
Refund of government compensation	31	(3,094)	(134,963)	(3,094)	(134,963)
Net income		944,280	686,442	919,520	694,839
Overhead expenses	32	(107,111)	(113,533)	(101,447)	(104,527)
Gain/(loss) on deconsolidation of dissolved companies	10(b)	59	(41,316)	-	-
Allowance for impairment losses of loans, financing and advances	35	(670,221)	(95,774)	(660,785)	(98,432)
Allowance for impairment losses on other assets	36	(9,471)	(56,105)	(10,130)	(57,147)
<b>Operating profit</b>		157,536	379,714	147,158	434,733
Share of profit of associates and joint ventures		4	6	-	-
<b>Profit before taxation and zakat</b>		157,540	379,720	147,158	434,733
Taxation	37	(39,237)	(103,833)	(37,569)	(98,667)
Zakat		(11,220)	(24,296)	(8,769)	(21,126)
<b>Net profit for the year</b>		107,083	251,591	100,820	314,940
<b>Attributable to:</b>					
<u>Equity holders of the Bank</u>					
Profit for the year attributable to equity holders of the Bank		107,144	251,770	100,820	314,940
<u>Non-controlling interests</u>					
Loss for the year attributable to non-controlling interests of the Bank		(61)	(179)	-	-
		107,083	251,591	100,820	314,940
<b>Earnings per share attributable to the equity holders of the Bank:</b>					
Basic/diluted earnings per share (sen)					
- from operations	39	3.48	8.18		

The accompanying notes form an integral part of the financial statements

## STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Net profit for the year		107,083	251,591	100,820	314,940
<b>Other comprehensive income</b>					
<u>Items that will not be reclassified to profit or loss:</u>					
Net change in revaluation of equity instruments at fair value through other comprehensive income		(404)	327	(797)	(1,840)
<u>Items that may be reclassified to profit or loss:</u>					
Translation differences in respect of foreign operations		(178)	37,162	-	-
Debt instruments at fair value through other comprehensive income:					
- Net change in fair value during the year		135,913	137,500	135,913	137,500
- Changes in allowance for expected credit losses		9,405	55,958	9,405	55,958
		144,736	230,947	144,521	191,618
Income tax effect	17	(32,438)	(38,875)	(32,619)	(38,355)
		(32,438)	(38,875)	(32,619)	(38,355)
<b>Other comprehensive income for the year, net of tax</b>		112,298	192,072	111,902	153,263
<b>Total comprehensive income for the year</b>		219,381	443,663	212,722	468,203
<b>Total comprehensive income/(loss) attributable to:</b>					
Equity holders of the Bank		219,494	447,627	212,722	468,203
Non-controlling interests		(113)	(3,964)	-	-
		219,381	443,663	212,722	468,203

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020

Group	Note	Attributable to equity holders of the Bank							Non controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Exchange translation deficit RM'000	Distributable retained profits RM'000	Total RM'000		
<b>At 1 January 2020</b>		3,078,724	1,000	2,073,366	160,311	(6,997)	2,576,058	7,882,462	12,328	7,894,790
Profit/(loss) for the year		-	-	-	-	-	107,144	107,144	(61)	107,083
Other comprehensive income/(loss) for the year		-	-	-	112,475	(125)	-	112,350	(52)	112,298
Total comprehensive income/(loss) for the year		-	-	-	112,475	(125)	107,144	219,494	(113)	219,381
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	-	(956)	-	956	-	-	-
Transfer to statutory reserve		-	-	25,205	-	-	(25,205)	-	-	-
Dividend paid	38	-	-	-	-	-	(152,214)	(152,214)	-	(152,214)
<b>At 31 December 2020</b>		3,078,724	1,000	2,098,571	271,830	(7,122)	2,506,739	7,949,742	12,215	7,961,957
<b>At 1 January 2019</b>		3,078,724	1,000	1,994,631	5,401	(47,944)	2,503,023	7,534,835	16,292	7,551,127
Profit/(loss) for the year		-	-	-	-	-	251,770	251,770	(179)	251,591
Other comprehensive income/(loss) for the year		-	-	-	154,910	40,947	-	195,857	(3,785)	192,072
Total comprehensive income/(loss) for the year		-	-	-	154,910	40,947	251,770	447,627	(3,964)	443,663
Transfer to statutory reserve		-	-	78,735	-	-	(78,735)	-	-	-
Dividend paid	38	-	-	-	-	-	(100,000)	(100,000)	-	(100,000)
<b>At 31 December 2019</b>		3,078,724	1,000	2,073,366	160,311	(6,997)	2,576,058	7,882,462	12,328	7,894,790

The accompanying notes form an integral part of the financial statements

# STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2020

Bank	Note	Non-distributable				Total RM'000
		Share capital RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Distributable retained profits RM'000	
<b>At 1 January 2020</b>		3,078,724	2,073,366	159,749	2,374,207	7,686,046
Profit for the year		-	-	-	100,820	100,820
Other comprehensive income for the year		-	-	111,902	-	111,902
Total comprehensive income for the year		-	-	111,902	100,820	212,722
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	179	(179)	-
Transfer to statutory reserve		-	25,205	-	(25,205)	-
Dividend paid	38	-	-	-	(152,214)	(152,214)
<b>At 31 December 2020</b>		3,078,724	2,098,571	271,830	2,297,429	7,746,554
<b>At 1 January 2019</b>		3,078,724	1,994,631	6,486	2,238,002	7,317,843
Profit for the year		-	-	-	314,940	314,940
Other comprehensive income for the year		-	-	153,263	-	153,263
Total comprehensive income for the year		-	-	153,263	314,940	468,203
Transfer to statutory reserve		-	78,735	-	(78,735)	-
Dividend paid	38	-	-	-	(100,000)	(100,000)
<b>At 31 December 2019</b>		3,078,724	2,073,366	159,749	2,374,207	7,686,046

The accompanying notes form an integral part of the financial statements

## STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation and zakat	157,540	379,720	147,158	434,733
Adjustments for:				
Share of profit of associates and joint ventures	(4)	(6)	-	-
Refund of government compensation (Note 31)	3,094	134,963	3,094	134,963
Depreciation of property, plant and equipment (Note 32(ii))	4,908	3,841	4,847	3,767
Depreciation of investment properties (Note 32(ii))	7	10	7	8
Amortisation of intangible assets (Note 32(iii))	2,637	2,447	2,504	2,273
Depreciation of right-of-use assets (Note 32(ii))	198	140	185	127
Gain on disposal of property, plant and equipment (Note 30(b))	(322)	-	(106)	-
Net gain on disposal of financial investments at FVOCI (Note 30(a) and 48(m))	(57,788)	(43,020)	(57,788)	(43,020)
Dividend income:				
Financial investments at FVTPL (Note 30(a))	-	(25)	-	(25)
Subsidiaries (Note 30(a))	-	-	-	(36,040)
Accretion of discount less amortisation of premium of financial investments (Note 28 and 48(m))	16,152	(11,098)	16,152	(11,098)
Impairment allowance for:				
Financial investments at FVOCI (Note 36)	9,405	55,958	9,405	55,958
Investment in subsidiaries (Note 36)	-	-	659	1,215
Allowances for impairment losses on loans, financing and advances, net (Note 35)	691,900	99,090	680,769	98,081
Impaired loans/financing and other assets written off (Note 35)	2,382	15,610	1,689	13,938
Allowance for ex-staff loan/financing (Note 36)	79	(17)	79	(17)
Loss/(gain) due to debt/financing modification (Note 28, 48(l) and 48(m))	578	(2,736)	578	(2,736)
Unrealised gain on financial investments at FVTPL (Note 48(m))	(4,999)	-	(4,999)	-
Allowance for impairment losses on financing and advances made during the year against Infra Support Fund ("ISF") (Note 23)	(137,720)	-	(137,720)	-
Compensation from the Government (Note 28 and Note 48(m))	(103,840)	(129,364)	(103,840)	(129,364)
Operating cash flows before working capital changes	584,207	505,513	562,673	522,763
Decrease/(increase) in operating assets:				
Deposits and placements with financial institutions	739,143	(886,860)	831,691	(882,828)
Loans, financing and advances	(579,469)	2,475,947	(527,430)	2,479,669
Other assets	423,590	(102,287)	345,276	(114,654)
	583,264	1,486,800	649,537	1,482,187
(Decrease)/increase in operating liabilities:				
Deposits from customers	(145,339)	(919,994)	(145,339)	(919,994)
Deposit and placements from financial institutions	(231,577)	932,315	(231,577)	932,315
Other liabilities	(10,936)	150,064	43,938	111,079
	(387,852)	162,385	(332,978)	123,400
Cash generated from operating activities	779,619	2,154,698	879,232	2,128,350
Interest expense on lease liabilities	(29)	(24)	(27)	(21)
Income taxes paid	(122,793)	(91,399)	(117,921)	(87,886)
Zakat paid	(30,386)	(17,282)	(30,386)	(17,282)
Net cash generated from operating activities	626,411	2,045,993	730,898	2,023,161

## STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from investing activities</b>				
Dividend income from:				
Financial investments at FVTPL (Note 30(a))	-	25	-	25
Subsidiaries (Note 30(a))	-	-	-	36,040
Purchase of financial investments at FVOCI	(6,394,928)	(6,764,496)	(6,394,928)	(6,764,496)
Purchase of property, plant and equipment (Note 13)	(2,819)	(8,752)	(2,670)	(8,690)
Purchase of intangible assets (Note 15)	(1,957)	(2,252)	(1,953)	(2,252)
Proceeds from disposal/maturity of financial investments at FVOCI	4,960,372	5,657,015	4,960,372	5,657,015
Proceeds from disposal of property, plant and equipment	576	-	106	-
Net cash outflow on dissolution of subsidiaries (Note 10(b))	(267)	(405)	-	-
Net cash used in investing activities	(1,439,023)	(1,118,865)	(1,439,073)	(1,082,358)
<b>Cash flows from financing activities</b>				
Net repayments of borrowings	(1,650,000)	(500,000)	(1,650,000)	(500,000)
Net repayment of redeemable notes	(50,000)	(50,000)	(50,000)	(50,000)
Proceeds from Government compensation	51,324	60,189	51,324	60,189
Proceeds from Sukuk issuance	1,000,000	-	1,000,000	-
Dividend paid (Note 38)	(152,214)	(100,000)	(152,214)	(100,000)
Payment of principal portion of lease liabilities	(182)	(143)	(168)	(132)
Net cash used in financing activities	(801,072)	(589,954)	(801,058)	(589,943)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(1,613,684)	337,174	(1,509,233)	350,860
<b>Cash and cash equivalents at beginning of financial year</b>	2,648,922	2,311,748	2,371,020	2,020,160
<b>Cash and cash equivalents at end of financial year</b>	1,035,238	2,648,922	861,787	2,371,020
<b>Cash and cash equivalents comprise:</b>				
Cash and short term deposits (Note 4)	1,035,238	2,648,922	861,787	2,371,020

The accompanying notes form an integral part of the financial statements



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 1. CORPORATE INFORMATION

Bank Pembangunan Malaysia Berhad (“the Bank”) is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Bank is located at Level 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The holding company of the Bank is the Minister of Finance (Incorporated) (“MOF (Inc.)”) a corporate body established under the Minister of Finance (Incorporation) Act 1957 in Malaysia.

The Bank is principally engaged to provide medium to long term credit and financing facilities under both Conventional and Islamic Financial Business principles to finance infrastructure projects, maritime, oil & gas, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country’s development policy. The principal activities of the subsidiary companies are as disclosed in Note 45.

There have been no significant changes in the nature of the principal activities of the Bank during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 28 May 2021.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of Compliance and Basis of Preparation

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) as modified by the specification provided by Bank Negara Malaysia (“BNM”) as disclosed below and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements incorporate those activities relating to Islamic Financial Business, which have been undertaken by the Group. Islamic Financial Business refers generally to the business activities in accordance with Shariah principles.

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 46(c).

The financial statements of the Group and of the Bank have been prepared under the historical cost basis unless otherwise indicated in the summary of significant accounting policies below. The financial statements are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (“RM’000”) except where otherwise indicated.

#### Modified accounting treatment specified by BNM

Pursuant to Section 75 of the Development Financial Institutions Act 2002 and in accordance with Section 26D of the Financial Reporting Act 1997 in Malaysia, BNM has issued a guideline on 28 July 2020 for Development Financial Institutions (“DFI”) specifying the accounting treatment with respect to loans/financing for which the contractual cash flows are modified, including payments deferred under moratoriums provided by the DFI during the two financial years beginning on or after 1 January 2020, with the details as follows:

#### (i) Duration of modified accounting treatment

The modified accounting treatment permitted by BNM is in place for two financial years beginning on or after 1 January 2020.

#### (ii) Comparison of accounting treatment in accordance with MFRS and modified accounting treatment

##### Accounting treatment in accordance with MFRS

Under paragraph 5.4.3 of MFRS 9 Financial Instruments, the modification gain or loss that arises as at the commencement date of restructuring or rescheduling of loans and financing is recognised in the profit or loss immediately by recalculating the gross carrying amount of the loan and financing based on the present value of the modified cash flows discounted at the loan or financing’s original effective interest/profit rate.

##### Modified accounting treatment

No modification gain or loss is recorded against the gross carrying amount of the loan and financing as at the commencement date of restructuring or rescheduling of loans and financing. Instead, a new and modified effective interest/profit rate is calculated that exactly discounts the revised remaining cash flows to the gross carrying amount of the loan and financing as at the commencement date.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D.)

### 2.1 Statement of Compliance and Basis of Preparation (cont’d.)

#### Modified accounting treatment specified by BNM (cont’d.)

##### (iii) Disclosure

The DFI shall disclose the application of the modified accounting treatment in the basis of preparation of the interim financial reports and annual financial statements. The disclosure shall also include the duration of the application and a comparison of the financial impact of applying the accounting treatment in accordance with the MFRS and the modified accounting treatment.

The Group and the Bank has adopted the modified accounting treatment specified by BNM as detailed above. The modified accounting treatment is and will be applied by the Group and the Bank in its financial statements for the current financial year ended 31 December 2020 and the next financial year ending 31 December 2021 on loans/financing for which the contractual cash flows are modified during these two financial years, as permitted by BNM.

#### Impact of adopting the modified accounting treatment

The financial impact of the affected items in the statements of profit or loss and statements of financial position of the Group and the Bank is as summarised below:

	Group		Bank	
	Modified accounting treatment RM’000	MFRS 9 RM’000	Modified accounting treatment RM’000	MFRS 9 RM’000
Statements of profit or loss:				
Interest/profit income				
– Effect of lower income with adjusted effective interest/profit rate	3,794	–	2,985	–
– Modification loss (net of reversal)	–	90,715	–	89,408
Statements of financial position:				
Loans, financing and advances	15,584,069	15,497,148	15,394,417	15,307,994
Retained profits	2,506,739	2,419,818	2,297,429	2,211,006

### 2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2020, the Group and the Bank adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2020.

Description	Effective for annual period beginning on or after
MFRS 3 – Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 101 – Definition of Material (Amendments to MFRS 101)	1 January 2020
MFRS 108 – Definition of Material (Amendments to MFRS 108)	1 January 2020
Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)	1 January 2020
Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)	1 January 2020
COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases)	1 June 2020

The adoption of the MFRSs and amendment to MFRSs above did not have any material impact on the financial statements of the Group and Bank in the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.3 Standards Issued but not yet Effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group and the Bank financial statements are disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual period beginning on or after
Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022
MFRS 17 Insurance Contract	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to MFRS 101)	1 January 2023

These standards are not expected to have a significant impact on the Group and the Bank financial statements.

## 2.4 Summary of Significant Accounting Policies

## (a) Subsidiaries and basis of consolidation

## (i) Subsidiaries

Subsidiaries are entities over which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee i.e. existing rights that give 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 return.

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 Group has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. In the Bank separate financial statements, investments in subsidiaries are stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(d). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the statements of profit or loss. Dividends received from subsidiaries are recorded as a component of revenue in the Bank separate statement of profit or loss.

The consolidated financial statements comprise the financial statements of the Group and the Bank as at and for the financial year ended 31 December of each year.

## (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (a) Subsidiaries and basis of consolidation (cont'd.)

## (ii) Basis of consolidation (cont'd.)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not owned, directly or indirectly by the Bank. NCI are presented separately in the consolidated statement of profit or loss and statement of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total profit or loss and other comprehensive income is allocated against the interest of NCI, even if this results in a deficit balance. Acquisition of NCI are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognised as equity.

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 profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for from the date when control is lost.

## (iii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent considerations to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments ("MFRS 9") is measured at fair value with changes in fair value recognised either in the statements of profit or loss or statements of comprehensive income in accordance with MFRS 9. Other contingent considerations that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the statements of profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (a) Subsidiaries and basis of consolidation (cont'd.)

## (iii) Business combinations and goodwill (cont'd.)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## (b) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture ("JV") is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group has interests in JV that is disclosed in Note 12.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and JV are accounted for using the equity method.

Under the equity method, the investment in an associate or a JV is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or JV since the acquisition date. Goodwill relating to the associate or JV is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or JV. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or JV, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or JV are eliminated to the extent of the interest in the associate or JV.

The aggregate of the Group's share of profit or loss of an associate and a JV is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or JV.

The financial statements of the associate or JV are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or JV. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or JV and its carrying value, then recognises the loss as share of loss of an associate or JV.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (b) Investment in associates and joint ventures (cont'd.)

Upon loss of significant influence over the associate or joint control over the JV, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Bank separate financial statements, investments in associates and JV are accounted for at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is included in profit or loss.

## (c) Foreign currency transactions

## (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 functional currency.

## (ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and the Bank 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 dates 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 translation of monetary items at the reporting date are recognised in the statements 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 foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the statement of profit or loss of the Group and on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the 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 assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to OCI. On disposal of a foreign operation, the cumulative amount recognised in OCI and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification) when the gain or loss on disposal is recognised.

## (d) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 3(d), below. 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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (d) Property, plant and equipment (cont'd.)

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or change in circumstances indicate that the carrying value may not be recoverable.

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful life, as follows:

Leasehold land and buildings	19 – 50 years
Vessels	5 – 30 years
Furniture and equipment	3 – 10 years
Partitioning, installation and renovations	3 – 20 years
Motor vehicles	5 – 8 years

The residual values, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively if appropriate.

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 the statements of profit or loss.

## (e) Investment properties

Investment properties principally comprise properties held for long term rental yields or capital appreciation or both and which are not occupied by the Group and the Bank. Investment property is carried at cost less accumulated depreciation and any impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 3(d), below.

Freehold land is not depreciated. Freehold building is depreciated at an annual rate of 2%, calculated on a straight line basis to write off the cost of each building over the estimated useful life.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day-to-day servicing of that property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statements of profit or loss in the year in which they arise.

## (f) Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible asset are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible asset with finite lives is recognised in statements of profit or loss in the expense category consistent with the function of the intangible asset.

Computer softwares were acquired separately and are amortised on a straight line basis over the useful lives of 3 – 5 years.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (g) Leases

The Group and the Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## (i) Right-of-use assets

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 lives of the assets, as follows:

Other equipment	5 years
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If ownership of the leased asset transfers 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.

## (ii) 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 payments of penalties for terminating the lease, if the lease term reflects the Group 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 borrowing rate at the lease commencement date because the interest 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 interest 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.

## (iii) 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 machinery and equipment (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 equipment 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.

## (iv) Operating lease – the Group as lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (h) Financial assets

Financial assets and liabilities are recognised in the statements of financial position when the Group and the Bank has become a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised or derecognised on the trade date.

When financial assets or financial liabilities are recognised initially, they are measured at fair value, plus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss.

Immediately after initial recognition, expected credit loss ("ECL") is recognised for financial assets measured at amortised cost and debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

**Classification and subsequent measurement****Financial assets**

The Group and the Bank determines the classification of their financial assets at initial recognition based on the following measurement categories:

- FVTPL;
- FVOCI; or
- Amortised cost.

To determine their classification and measurement category, the financial assets, except equity instruments and derivatives, is assessed based on a combination of the Bank business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group and the Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

(a) Business model 1 – Hold to Collect (Amortised cost)

Business objective is to collect contractual cash flows over the life of the financial assets. Sales should be insignificant in value or infrequent.

(b) Business model 2 – Hold to Collect and Sell (FVOCI)

Business objective is both to collect contractual cash flows and sell financial assets. Debt instruments under this business model are mainly those with the objectives to:

- (i) Manage everyday liquidity needs e.g. frequent sales activity of significant value to demonstrate liquidity or to cover everyday liquidity needs, without the intention of short-term profit taking;
- (ii) Maintain a particular interest/profit yield profile e.g. active management of the portfolio on an opportunistic basis to increase return by reinvesting in higher yielding financial assets; and
- (iii) Match the duration of the financial assets to the duration of the liabilities which funds those assets.

(c) Business Model 3 – FVTPL

Business objective is neither Business Model 1 nor Business Model 2. Debt instruments are mainly held for trading and managed on a fair value basis.

Solely Payments of Principal and Interest/Profit ("SPPI/SPPP") test

As a second step, SPPI/SPPP test must be carried out for all financial assets to identify if contractual cash flows are 'solely payment of principal and interest/profit on the principal amount outstanding' which is consistent with a 'basic lending/financing arrangement'.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (h) Financial assets (cont'd.)

**Classification and subsequent measurement (cont'd.)****Financial assets (cont'd.)**

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition.

The most significant elements of interest/profit within a lending/financing arrangement are typically the consideration for the time value of money, credit risk, other basic lending/financing risks and a profit margin that is consistent with a basic lending/financing arrangement. To perform the SPPI/SPPP assessment, the Group and the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest/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 lending/financing arrangement do not give rise to contractual cash flows that are solely payments of principal and interest/profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest/profit.

The Group and the Bank reclassified debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

**Financial assets – Amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI/SPPP, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit allowance recognised and measured. Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

Financing and advances

Financing and advances consist of *Murabahah*, *Tawarruq*, *Ijarah* (includes *Ijarah Muntahiyah bi Tamlik*), *Istisna'*, *Kafalah* and *Bai' Bithaman Ajil*. These contracts, except for *Kafalah*, are recognised at amortised cost, including direct and incremental transaction costs using effective profit method. These contracts are stated at net of unearned income and any amounts written off and/or impaired.

Definition of Shariah concept:

- (a) *Murabahah*: It refers to a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser. The sale price is payable by the purchaser usually on deferred terms.
- (b) *Tawarruq*: It basically consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.
- (c) *Istisna'*: It refers to a contract which a seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined sale price.
- (d) *Ijarah*: It refers to a contract that transfers ownership of a permitted usufruct and/or service for a specified period in exchange for a specified consideration. It includes variations of this contract i.e. *Ijarah Muntahiyah bi Tamlik*, where it is accompanied with an option to transfer the ownership of the leased asset to the lessee at the end of the lease period via acceptable means of ownership transfer. For financial reporting purpose the *Ijarah* contract meets the definition of finance lease.
- (e) *Kafalah*: It refers to a contract where the guarantor conjoins the guaranteed party in assuming the latter's specified liability for a specified period.
- (f) *Bai' Bithaman Ajil*: It refers to a sale contract based on deferred payment at certain price.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (h) Financial assets (cont'd.)

**Classification and subsequent measurement (cont'd.)****Debt instruments at FVOCI**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest/profit, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/finance revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gain on disposal". Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

**Financial assets at FVTPL**

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a financial investment that is substantially measured at FVTPL and is not part of hedging relationship is recognised in profit or loss and presented in the profit or loss statement within "Net investment income" in the period in which it arises. Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

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

**Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group and the Bank measures all equity investments at FVTPL, except where the Group and the Bank has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI (with no recycling) provided that is neither held for trading nor a contingent consideration recognised by acquirer in a business combination.

For equity instruments elected on FVOCI (no recycling), gain or loss on disposal is recognised in equity and dividends are recognised in profit or loss.

**Impairment**

The Group and the Bank assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost and FVOCI. Equity instruments are not subject to impairment assessment.

The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (h) Financial assets (cont'd.)

**Impairment (cont'd.)**

The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 16 Leases. The Group and the Bank will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

- Stage 1: 12-month ECL  
For exposures where there has not been a significant increase in credit risk since initial recognition or where credit risk has improved and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.
- Stage 2: Lifetime ECL – non-credit impaired  
For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.
- Stage 3: Lifetime ECL – credit impaired  
Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Both 12 months ECL and life time ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

**The calculation of ECL**

The Group and the Bank calculates ECL to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- Probability of Default ("PD")  
The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at Default ("EAD")  
The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest/profit, whether scheduled by contract or otherwise, expected draw downs on committed facilities.
- Loss Given Default ("LGD")  
The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender/financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (h) Financial assets (cont'd.)

## Impairment (cont'd.)

## The calculation of ECL (cont'd.)

The mechanics of the ECL methods are summarised below:

- Stage 1  
The 12 months ECL is calculated as the portion of life time ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. This expected 12-month default probability is applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- Stage 2  
When a financial asset has shown a significant increase in credit risk since origination, the Group and the Bank records an allowance for the life time ECL. The mechanics are similar to those explained above, but PD and LGD are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3  
If the financial asset is credit impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans/financing or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Interest/finance income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/finance income is recorded as part of 'interest/finance income' in the statements of profit or loss.
- Loan, financing and advances commitments and letters of credit  
When estimating life time ECL for undrawn loan, financing and advances commitments, the Group and the Bank estimates the expected portion of the loan, financing and advances commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan, financing and advances is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the instrument.
- Financial guarantee contracts  
The Group and the Bank liability under each guarantee is measured at the higher of the amount initially recognised less the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest/profit rate relevant to the exposure. The ECL related to financial guarantee contracts are recognised within provisions.
- Other financial assets  
The Group and the Bank is applying simplified approach to assess the ECL for other financial assets. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. The loss allowance should be measured at initial recognition and throughout the life of the other financial assets at an amount equal to lifetime ECL. The simplified approach adopted for the Group and the Bank is based on weighted average of the historical loss experience.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (h) Financial assets (cont'd.)

## Debt instruments measured at FVOCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statements 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 reserve as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI reserve is recycled to the profit or loss upon derecognition of the assets.

## Fair value determination

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. The fair value of financial instruments traded in active markets are based on quoted market price or dealer price quotation.

For all other financial assets, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models, based on observable data in respect of similar financial instruments and using inputs (such as yield curve) existing at the reporting date.

## Derecognition

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred, cancelled or expired. Upon derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to the statements of profit or loss.

## (i) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised at amortised cost. Financial liabilities measured at amortised cost include deposits from customers, debt securities/sukuk issued and other borrowed funds. Financial liabilities are derecognised when they are redeemed or extinguished.

## (j) Bills and acceptance payable

Bills and acceptance payable represents the Bank own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

## (k) Equity instruments

An equity instrument is any contract that evidences a residual interest/profit in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

## (l) Employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

**(m) Government grants**

Government grants are recognised at their fair value in the statements of financial position where there is a reasonable assurance that the grants will be received and all attaching conditions will be complied with. The Government grants are presented in the statements of financial position as "Infrastructure Support Fund" ("ISF") and "deferred income".

ISF relates to fund received from the Government to cover the potential risk of loan/financing default, any allowance for impairment losses, write-off and other liquidity requirements that may arise. It is also to cover the contingent liabilities of the Bank i.e. guarantees, standby credits and performance bonds.

Deferred income comprises claims received in relation to profit rate differentials on financing of Government infrastructure project.

Grants that compensate the Group and the Bank for expenses incurred are recognised as income over the period necessary to match the grants on a systematic basis to the costs that it is intended to compensate.

**(n) Provisions**

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.

**(o) Contingent liabilities**

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers/customers and litigation cases against the Group and the Bank. Contingent liabilities are disclosed in the notes to the accounts, unless the possibility of an outflow of resources embodying 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.

**(p) Disposal groups and assets held for sale**

Non-financial assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-financial assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with MFRS 5: Non-current Assets Held for Sale and Discontinued Operations; that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the statements of profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resell.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

**(q) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

**(i) Interest/finance income and similar income**

For all financial instruments measured at amortised cost, interest/profit bearing financial assets classified as FVOCI and financial instruments designated at FVTPL, interest/finance income is recorded using the effective interest/profit rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, interest/finance income continues to be recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

**(ii) Islamic Financial Business income recognition**

Income from financing and receivables is recognised in the statements of profit or loss using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation of the effective profit rate includes all contractual terms of the financial instruments and includes any fees incremental costs that are directly attributable to the instruments and are an integral part of the effective profit rate.

**Sale-based Financing** (*Murabahah, Tawarruq, Istisna' and Bai' Bithaman Ajil*)

Income are accrued on monthly basis on the cost outstanding at the prevailing effective profit rate over the duration of the financing.

**Lease-based Financing** (*Ijarah and Ijarah Muntahiyah bi Tamlik*)

Finance income is recognised on the effective profit rate of the cost of the leased asset over the lease period.

**Fee income**

Fee-based income from charging administrative fees such as processing fee, arrangement fee and facility fee is recognised upon satisfaction of performance obligation. Fee-based income is also derived from provision of guarantee based on *kafalah* contract.

**(iii) Income recognition for leasing, hire purchase financing, pre-factoring and factoring**

Income earned on leasing, hire purchase, pre-factoring and factoring financing is recognised based on the effective interest/profit method.

**(iv) Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

## 2.4 Summary of Significant Accounting Policies (cont'd.)

## (r) Income Taxes

## (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in the statements of profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

## (ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the statements of profit or loss is recognised outside the statements of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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.

## (s) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements with original maturity of less than one month held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements involved making certain judgements and estimates, that affect the accounting policies applied and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial statements in the period of which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on amount recognised in the financial statements include the following:

## Judgements

In the process of applying the Group and the Bank accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements.

## (a) Impairment of financial investments portfolio (Note 7 and Note 36)

The Group and the Bank review the 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 changes 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 review, the following management's judgment are required:

- (i) Determination whether the investment is impaired or has significant increase in credit risk based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and 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.

## (b) Impairment of loans, financing and advances (Note 8 and Note 35)

The Group and the Bank make certain judgement in determining the ECL to be recognised on loans, financing and advances. The Group and the Bank 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) Internal credit grading model, which assigns PD to the individual grades;
- (ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment;
- (iii) The segmentation of financial assets when their ECL is assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;
- (v) Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price forecast, USD exchange rate and the effect on PD, EAD and LGD, including assessing for potential impact from the deterioration in oil price and the COVID-19 in 2020;
- (vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models; and
- (vii) The net realisable value of collateral.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D.)

## Judgements (contd.)

## (b) Impairment of loans, financing and advances (Note 8 and Note 35) (cont'd.)

**Overlays and adjustments for ECL amid COVID-19 environment**

As the current MFRS 9 models are not expected to generate levels of 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 are expiring 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 borrowers and customers who have received repayment 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 individual customer level in determining the sufficient level of ECL.

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 until the expected second quarter of 2021, the impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount to RM273.8 million as at 31 December 2020.

## (c) Impairment of investment in subsidiaries (Note 10), interest in associates (Note 11) and JV (Note 12)

The Group and the Bank assess whether there is any indication that an investment in subsidiaries, interest in associates and JV may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review which comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgments made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries, interest in an associates and JV are as follows:

- (i) The Group and the Bank determine whether its investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

## (d) Impairment of non-financial assets (Note 13, Note 15 and Note 16(a))

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such indication or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group and the Bank bases its VIU calculation on detailed budgets and forecast calculations. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D.)

## Estimates

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future period affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the followings:

## (a) Allowance for impairment of investment in subsidiaries (Note 10), interest in associates (Note 11) and JV (Note 12)

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year.

Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

## (b) Income taxes (Note 37)

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

## (c) Leases (Note 16) – Estimating the incremental borrowing rate

The Group and the Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group and the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group and the Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 4. CASH AND SHORT TERM DEPOSITS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balances with other financial institutions	13,425	14,306	2,998	2,933
Money at call and deposit placements maturing within one month	1,021,813	2,634,616	858,789	2,368,087
	1,035,238	2,648,922	861,787	2,371,020

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 5. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks	185,772	924,915	51,137	882,828

The weighted average effective interest rates ("WAEIR") of deposits and the average maturity of deposits of the Group and the Bank at the reporting date were as follows:

	Group		Bank	
	2020	2019	2020	2019
WAEIR (%)	1.91	3.25	1.83	3.24
Average maturity (Days)	72	62	32	49

## 6. FINANCIAL INVESTMENTS AT FVTPL

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At fair value</b>				
<b>Equity Securities:</b>				
Unquoted shares	45,566	-	45,566	-
<b>Total financial investments at FVTPL</b>	<b>45,566</b>	<b>-</b>	<b>45,566</b>	<b>-</b>

Included in the financial investments at FVTPL is a private debt securities with a cost of RM405,364,712 and a fair value of RM nil.

## 7. FINANCIAL INVESTMENTS AT FVOCI

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At fair value</b>				
<b>Debt Instruments:</b>				
Money market instruments:				
Government investment issues	2,225,971	1,640,721	2,225,971	1,640,721
Cagamas	46,058	20,252	46,058	20,252
	<b>2,272,029</b>	<b>1,660,973</b>	<b>2,272,029</b>	<b>1,660,973</b>
Unquoted securities:				
Corporate bonds and sukuk	3,749,837	3,256,877	3,749,837	3,256,877
	<b>3,749,837</b>	<b>3,256,877</b>	<b>3,749,837</b>	<b>3,256,877</b>
<b>Equity Securities:</b>				
Quoted shares	109,672	106,115	109,672	101,170
	<b>109,672</b>	<b>106,115</b>	<b>109,672</b>	<b>101,170</b>
<b>Total financial investments at FVOCI</b>	<b>6,131,538</b>	<b>5,023,965</b>	<b>6,131,538</b>	<b>5,019,020</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 7. FINANCIAL INVESTMENTS AT FVOCI (CONT'D.)

Movements in allowances for impairment which reflect the ECL allowance are as follows:

Group and Bank	Lifetime ECL			Total RM'000
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
<b>2020</b>				
At 1 January	940	55,304	-	56,244
Net (write back)/allowance made	(399)	9,804	-	9,405
New financial investments purchased	4	-	-	4
Net (write back)/allowance made	(403)	9,804	-	9,401
At 31 December	541	65,108	-	65,649
<b>2019</b>				
At 1 January	286	-	-	286
Net allowance made	654	55,304	-	55,958
New financial investments purchased	76	20,922	-	20,998
Net allowance made	578	34,382	-	34,960
At 31 December	940	55,304	-	56,244

## 8. LOANS, FINANCING AND ADVANCES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At amortised cost</b>				
Loans, financing and advances to industries:				
Government guaranteed	86,705	181,104	86,705	181,104
Others	18,646,480	18,052,441	18,427,946	17,873,365
	<b>18,733,185</b>	<b>18,233,545</b>	<b>18,514,651</b>	<b>18,054,469</b>
Loans, financing and advances to others:				
Staff loan/financing	4,649	5,236	4,649	5,236
	<b>4,649</b>	<b>5,236</b>	<b>4,649</b>	<b>5,236</b>
Gross loans, financing and advances	<b>18,737,834</b>	<b>18,238,781</b>	<b>18,519,300</b>	<b>18,059,705</b>
Allowance for impairment on loans, financing and advances				
- Stage 1: 12-Month ECL	(1,134,918)	(870,590)	(1,129,228)	(864,539)
- Stage 2: Lifetime ECL not credit impaired	(676,288)	(270,967)	(673,057)	(270,538)
- Stage 3: Lifetime ECL credit impaired	(1,342,559)	(1,395,452)	(1,322,598)	(1,378,943)
	<b>(3,153,765)</b>	<b>(2,537,009)</b>	<b>(3,124,883)</b>	<b>(2,514,020)</b>
Net loans, financing and advances	<b>15,584,069</b>	<b>15,701,772</b>	<b>15,394,417</b>	<b>15,545,685</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 8. LOANS, FINANCING AND ADVANCES (CONT'D.)

(i) Loans, financing and advances analysed by type are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bai' Bithaman Ajil	43,558	89,692	43,558	86,745
Factoring	17,936	31,165	-	-
Factoring-i	30,059	-	-	-
Hire purchase	70,172	93,495	-	-
Hire purchase-i	7,841	-	-	-
Istisna'	1,511,340	2,772,582	1,511,340	2,772,582
Ijarah Muntahiyah bi Tamlik	64,583	52,078	1,222	20,693
Leasing	4,400	12,261	-	-
Murabahah	8,315	8,315	8,315	8,315
Revolving working capital	89,645	160,995	89,645	160,995
Staff loan/financing	4,649	5,236	4,649	5,236
Tawarruq	11,666,590	9,544,462	11,644,553	9,539,493
Term loan	5,218,746	5,468,500	5,216,018	5,465,646
Gross loans, financing and advances	18,737,834	18,238,781	18,519,300	18,059,705
Allowance for impairment on loans, financing and advances:				
- Stage 1: 12-Month ECL	(1,134,918)	(870,590)	(1,129,228)	(864,539)
- Stage 2: Lifetime ECL not credit impaired	(676,288)	(270,967)	(673,057)	(270,538)
- Stage 3: Lifetime ECL credit impaired	(1,342,559)	(1,395,452)	(1,322,598)	(1,378,943)
	(3,153,765)	(2,537,009)	(3,124,883)	(2,514,020)
Net loans, financing and advances	15,584,069	15,701,772	15,394,417	15,545,685

(ii) Loans, financing and advances analysed by type of borrowers/customers are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Domestic business enterprises	18,732,056	18,229,509	18,514,651	18,054,469
Individuals	5,778	9,272	4,649	5,236
	18,737,834	18,238,781	18,519,300	18,059,705

(iii) Loans, financing and advances analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate:				
Housing loans/financing	5,778	9,272	4,649	5,236
Hire purchase receivables	78,014	93,495	-	-
Other fixed rate loans/financing	10,176,901	11,066,427	10,037,510	10,984,882
Variable rate:				
Cost plus	5,920,780	4,791,538	5,920,780	4,791,538
Other variable rates	2,556,361	2,278,049	2,556,361	2,278,049
	18,737,834	18,238,781	18,519,300	18,059,705

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 8. LOANS, FINANCING AND ADVANCES (CONT'D.)

(iv) Loans, financing and advances analysed by industry are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Agriculture, hunting and forestry	11	11	-	-
Construction	9,802,696	8,906,333	9,800,246	8,904,249
Education	1,728,466	1,871,106	1,728,466	1,871,106
Electricity, gas and water supply	153,769	142,277	153,769	142,277
Finance, insurance/takaful and business	134,486	91,821	-	-
Hotel and restaurants	1,311,713	1,244,934	1,267,654	1,217,259
Housing	5,778	9,272	4,649	5,236
Manufacturing	312,926	316,497	309,236	309,025
Marine related	325,628	181,999	325,628	181,999
Medical and pharmaceuticals	17,020	16,719	17,020	16,719
Other community, social and personal service activities	439,973	366,292	434,712	355,010
Public administration and defence	8,281	16,156	8,281	16,156
Real estate, renting and business activities	371,813	366,608	371,813	366,608
Shipping	1,067,439	1,155,554	1,067,439	1,155,554
Shipyards	130,339	130,339	130,339	130,339
Transport, storage and communication	2,927,496	3,422,863	2,900,048	3,388,168
	18,737,834	18,238,781	18,519,300	18,059,705

(v) The maturity structure of loans, financing and advances is as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Maturity within one year	2,413,926	2,341,721	2,329,761	2,279,185
One year to three years	2,514,398	2,219,921	2,428,184	2,137,937
Three years to five years	2,429,679	2,099,661	2,381,524	2,065,105
Over five years	11,379,831	11,577,478	11,379,831	11,577,478
	18,737,834	18,238,781	18,519,300	18,059,705

(vi) Loans, financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within Malaysia	18,737,834	18,238,781	18,519,300	18,059,705

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 8. LOANS, FINANCING AND ADVANCES (CONT'D.)

(vii) Movements in gross loans, financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
<b>2020</b>				
At 1 January	15,129,881	892,113	2,216,787	18,238,781
- Transfer to 12-month ECL (Stage 1)	425,766	(425,766)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,217,745)	1,217,745	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(9,291)	(24,898)	34,189	-
Remeasurement, net	(35,946)	76,769	(56,567)	(15,744)
New accounts	949,842	-	-	949,842
Matured accounts	(344,154)	(12,810)	(2,367)	(359,331)
Written-off	-	-	(75,714)	(75,714)
At 31 December	14,898,353	1,723,153	2,116,328	18,737,834
<b>2019</b>				
At 1 January	16,846,705	1,656,365	2,281,425	20,784,495
- Transfer to 12-month ECL (Stage 1)	8,203	(7,431)	(772)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(285,163)	339,145	(53,982)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(1,974)	(161,833)	163,807	-
Remeasurement, net	315,084	(115,532)	(101,177)	98,375
New accounts	1,246,604	-	-	1,246,604
Matured accounts	(2,999,578)	(818,601)	(2,178)	(3,820,357)
Written-off	-	-	(70,336)	(70,336)
At 31 December	15,129,881	892,113	2,216,787	18,238,781

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 8. LOANS, FINANCING AND ADVANCES (CONT'D.)

(vii) Movements in gross loans, financing and advances are as follows (cont'd.):

Bank	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
<b>2020</b>				
At 1 January	14,976,056	883,369	2,200,280	18,059,705
- Transfer to 12-month ECL (Stage 1)	425,766	(425,766)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,185,557)	1,185,557	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(22,633)	22,633	-
Remeasurement, net	76,679	78,445	(58,641)	96,483
New accounts	489,138	-	-	489,138
Matured accounts	(42,863)	(12,810)	-	(55,673)
Written-off	-	-	(70,353)	(70,353)
At 31 December	14,739,219	1,686,162	2,093,919	18,519,300
<b>2019</b>				
At 1 January	16,704,747	1,642,611	2,246,791	20,594,149
- Transfer to 12-month ECL (Stage 1)	2,934	(2,934)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(278,572)	330,401	(51,829)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(158,629)	158,629	-
Remeasurement, net	397,071	(109,479)	(94,253)	193,339
New accounts	863,840	-	-	863,840
Matured accounts	(2,713,964)	(818,601)	-	(3,532,565)
Written-off	-	-	(59,058)	(59,058)
At 31 December	14,976,056	883,369	2,200,280	18,059,705

(viii) Impaired loans, financing and advances analysed by industry are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Construction	375,694	447,613	375,662	445,544
Education	57,037	63,760	57,037	63,760
Electricity, gas and water supply	30,054	30,698	30,054	30,698
Hotel and restaurants	711,306	677,745	698,167	673,604
Manufacturing	70,617	88,141	70,617	88,121
Medical and pharmaceuticals	17,020	16,719	17,020	16,719
Other community, social and personal service activities	124,036	122,216	121,306	118,137
Shipping	592,230	608,768	592,230	608,768
Transport, storage and communication	138,334	161,127	131,826	154,929
	2,116,328	2,216,787	2,093,919	2,200,280
Gross impaired loans, financing and advances as a % of gross loans, financing and advances	11.29%	12.15%	11.31%	12.18%

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 8. LOANS, FINANCING AND ADVANCES (CONT'D.)

(ix) Movements in the allowance for impairment of loans, financing and advances are as follows:

Group	12-Month ECL Stage 1	Lifetime ECL Not Credit Impaired Stage 2	Lifetime ECL Credit Impaired Stage 3	Total
	RM'000	RM'000	RM'000	
<b>2020</b>				
At 1 January	870,590	270,967	1,395,452	2,537,009
- Transfer to 12-month ECL (Stage 1)	64,137	(64,137)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(133,077)	133,077	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(38)	(148)	186	-
Allowance made, net	333,306	336,529	22,065	691,900
Amount written off	-	-	(75,144)	(75,144)
At 31 December	1,134,918	676,288	1,342,559	3,153,765
<b>2019</b>				
At 1 January	751,857	423,534	1,324,431	2,499,822
- Transfer to 12-month ECL (Stage 1)	9,565	(8,804)	(761)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(72,374)	108,869	(36,495)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(53,724)	53,724	-
Allowance made/(written back), net	181,542	(198,908)	116,456	99,090
Amount written off	-	-	(61,903)	(61,903)
At 31 December	870,590	270,967	1,395,452	2,537,009
Bank	12-Month ECL Stage 1	Lifetime ECL Not Credit Impaired Stage 2	Lifetime ECL Credit Impaired Stage 3	Total
	RM'000	RM'000	RM'000	
<b>2020</b>				
At 1 January	864,539	270,538	1,378,943	2,514,020
- Transfer to 12-month ECL (Stage 1)	63,881	(63,881)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(132,313)	132,313	-	-
Allowance made, net	333,121	334,087	13,561	680,769
Amount written off	-	-	(69,906)	(69,906)
At 31 December	1,129,228	673,057	1,322,598	3,124,883
<b>2019</b>				
At 1 January	748,458	422,327	1,295,781	2,466,566
- Transfer to 12-month ECL (Stage 1)	8,804	(8,804)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(72,293)	107,240	(34,947)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(53,193)	53,193	-
Allowance made/(written back), net	179,570	(197,032)	115,543	98,081
Amount written off	-	-	(50,627)	(50,627)
At 31 December	864,539	270,538	1,378,943	2,514,020

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 9. OTHER ASSETS

Note	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sundry receivables, deposits and prepayments	(i) 310,489	311,868	7,509	6,390
Less Allowance for doubtful debts	(ii) (292,976)	(292,910)	(647)	(581)
		17,513	6,862	5,809
Amount due from subsidiaries	-	-	1,767	590
Amount receivable from Government in respect of compensation for:				
Infrastructure projects	146,937	109,216	146,937	109,216
Foreign exchange differences	85,361	85,361	85,361	85,361
Tax recoverable	35,547	14,686	22,725	5,878
		285,358	228,221	263,652
				206,854

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from Syarikat Borcos Shipping Sdn Bhd ("Borcos"), a former subsidiary of Global Maritime Ventures Berhad ("GMVB") amounting to RM289,563,000 (2019: RM289,563,000).

(ii) Allowance for doubtful debts

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	292,910	292,998	581	607
Allowance for ex-staff loan/financing:				
Stage 1 - 12-month ECL, net	1	-	1	-
Stage 3 - Lifetime ECL credit impaired, net	78	(17)	78	(17)
Recovered during the financial year:				
- Tenant	(13)	(9)	(13)	(9)
Amount written off	-	(62)	-	-
At 31 December	292,976	292,910	647	581

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 10. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2020 RM'000	2019 RM'000
Unquoted shares, at cost	922,939	922,939
Additional capital contribution due to waiver of debt	68,750	68,750
	991,689	991,689
Less: Allowance for impairment on investments in subsidiaries	(736,922)	(736,263)
	254,767	255,426
Movement of allowance for impairment:		
As at 1 January	736,263	735,048
Amount provided during the financial year	659	1,215
At 31 December	736,922	736,263

\* Refer to Note 45 for the list of subsidiaries.

## (a) Subsidiary with significant non-controlling interest

The summarised financial information of Global Maritime Ventures Berhad ("GMVB") which have significant non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination:

## (i) Summarised statement of financial position

	GMVB	
	2020 RM'000	2019 RM'000
Non current assets	5,060	5,205
Current assets	100,478	102,615
Total assets	105,538	107,820
Current liabilities	8,130	9,913
Total liabilities	8,130	9,913
Net assets	97,408	97,907
Equity attributable to the owners of the company	94,659	95,086
Carrying value of non-controlling interests	2,749	2,821

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 10. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

## (a) Subsidiary with significant non-controlling interest (cont'd.)

## (ii) Summarised statement of comprehensive income

	GMVB	
	2020 RM'000	2019 RM'000
Other income	2,335	3,210
Administrative expenses	(587)	(1,800)
Share of profit of joint ventures and associates	4	6
Gain/(loss) on deconsolidation of dissolve companies	59	(41,316)
<b>Profit/(loss) before taxation</b>	1,811	(39,900)
Taxation	(599)	(696)
Zakat	(1,532)	(1,955)
<b>Loss for the year</b>	(320)	(42,551)
Other comprehensive income:		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	(179)	40,917
	(179)	40,917
<b>Total comprehensive loss for the year</b>	(499)	(1,634)
Loss for the year attributable to:		
Equity holders of the parent	(302)	(42,533)
Non-controlling interest	(18)	(18)
	(320)	(42,551)
Total comprehensive loss attributable to:		
Equity holders of the parent	(427)	(1,585)
Non-controlling interest	(72)	(49)
	(499)	(1,634)

## (iii) Summarised statement of cash flows

	GMVB	
	2020 RM'000	2019 RM'000
Net cash (used in)/generated from operating activities	(2,025)	172
Net cash (used in)/generated from investing activities	(47,744)	41,072
Net (decrease)/increase in cash and cash equivalents	(49,769)	41,244
Cash and cash equivalents at beginning of the financial year	74,680	33,436
Cash and cash equivalents at the end of the financial year	24,911	74,680

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 10. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

## (b) Dissolution of subsidiaries

During the financial year ended 2020, GMV-Jasa Sdn Bhd and GMV-Omni Sdn Bhd were dissolved and deconsolidated on 19 February 2020 and 19 November 2020 respectively.

Details of the deconsolidation of the subsidiaries as at the date of dissolution were as follows:

	Total RM'000
<b>Assets</b>	
Tax recoverable	22
Cash and bank balances	267
	289
<b>Liabilities</b>	
Payable and accruals	72
	72
Net assets	217

	At the date of dissolution RM'000
Capital distribution received	276
Net identifiable assets disposed @ 100%	(217)
Gain on deconsolidation	59

The effect of the disposal on cash flows is as follows:

Cash and bank balances of dissolved companies	(267)
Cash outflow to the Group on dissolution	(267)

In the prior year, GMV Orkim and five companies under Wawasan Group, namely Permata Navigation, Gemala Navigation, Kencana Navigation, Ratna Navigation, and Mutiara Navigation were dissolved and deconsolidated on 10 June 2019 and 23 September 2019 respectively.

Details of the deconsolidation of the subsidiaries as at the date of dissolution were as follows:

	Total RM'000
<b>Assets</b>	
Tax recoverable	319
Cash and bank balances	405
Amount due from related parties	12,496
	13,220
<b>Liabilities</b>	
Payable and accruals	131
	131
Net assets	13,089

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 10. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

## (b) Dissolution of subsidiaries (cont'd.)

Details of the deconsolidation of the subsidiaries as at the date of dissolution were as follows (cont'd.):

	At the date of dissolution RM'000
Capital distribution received	9,173
Net identifiable assets disposed @ 100%	(13,089)
Transfer from foreign exchange reserves	(41,154)
Transfer from non-controlling interest	3,754
Loss on deconsolidation	(41,316)

The effect of the disposal on cash flows is as follows:

Cash and bank balances of dissolved companies	(405)
Cash outflow to the Group on dissolution	(405)

## 11. INTEREST IN ASSOCIATES

	Group	
	2020 RM'000	2019 RM'000
At cost:		
Unquoted ordinary shares	300	300
Group's share of post acquisition reserve	243	239
	543	539

Details of the associates incorporated in Malaysia are as follows:

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2020 %	2019 %	
<b>Held through GMVB, a subsidiary:</b>			
Wawasan Bulk Services Sdn Bhd	27.0	27.0	Ship management
<b>Held through SME Growth Acceleration Fund Sdn Bhd ("SME GAF"), a subsidiary:</b>			
Ambang Wibawa Sdn Bhd *	26.0	26.0	Dormant
Cantuman Wawasan Sdn Bhd *	26.0	26.0	Dormant
Internexia Sdn Bhd *	26.0	26.0	Dormant
MS Time Ventures Sdn Bhd *	26.0	26.0	Dormant
Profound Kestrel Laboratories Sdn Bhd *	49.0	49.0	Dormant

\* Audited by firms of auditors other than Ernst & Young PLT, Malaysia.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 11. INTEREST IN ASSOCIATES (CONT'D.)

The summarised financial statements of the associates not adjusted for the proportion of ownership interest held by the Group are as follows:

	Group	
	2020 RM'000	2019 RM'000
(a) Summarised statement of financial position		
Total assets	2,018	1,838
Total liabilities	208	42
(b) Summarised statement of profit or loss		
Revenue	26	18
(Loss)/profit for the year	(4)	22
(c) Reconciliation of the summarised financial information		
Net assets at 1 January	1,796	1,777
(Loss)/profit for the financial year	(4)	22
Other comprehensive income/(loss)	18	(3)
Net assets at 31 December	1,810	1,796
Interest in associates	30%	30%
Carrying value of Group's interest in associates	543	539

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 12. INTEREST IN JOINT VENTURES

	Group	
	2020 RM'000	2019 RM'000
At cost:		
Unquoted ordinary shares	11,274	11,274
Group's share of post acquisition deficit	(11,274)	(11,274)
	-	-
Advances to JV within 1 year	8,412	8,412
Less Allowance for doubtful debts	(8,412)	(8,412)
	-	-

The advances to JV bear an interest of 5% (2019: 5%) per annum and are repayable on a quarterly basis over a period of 1 year.

Details of the JV are as follows:

Name of JV (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2020 %	2019 %	
<b>Held through GMVB, a subsidiary:</b>			
Alam Eksplorasi (M) Sdn Bhd ^	36.00	36.00	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy III (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel

^ Collectively known as Alam Group

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 12. INTEREST IN JOINT VENTURES (CONT'D.)

The aggregate current assets, current liabilities and result of the JV are as follows:

	Group	
	2020 RM'000	2019 RM'000
(a) Summarised statement of financial position		
<b>Assets:</b>		
Current assets	58,744	93,583
Total assets	58,744	93,583
<b>Liabilities:</b>		
Current liabilities	132,536	149,955
Total liabilities	132,536	149,955
Net liabilities	(73,792)	(56,372)
(b) Summarised statement of profit or loss		
Revenue	-	-
Cost of sales	(5,240)	(7,970)
Gross loss	(5,240)	(7,970)
Other income	512	5,553
Operating expenses	(12,225)	(1,093)
Loss from operations	(16,953)	(3,510)
Finance costs	(467)	(510)
Loss before taxation	(17,420)	(4,020)
Taxation	-	128
Loss for the year	(17,420)	(3,892)
(c) Reconciliation of the summarised financial information		
Net liabilities at 1 January	(56,372)	(52,480)
Loss for the year	(17,420)	(3,892)
Net liabilities at 31 December	(73,792)	(56,372)
Interests in joint ventures	44,274	33,823
Carrying value of Group's interest in joint ventures	(29,518)	(22,549)
Less: Cumulative unrecognised losses b/f	22,549	20,993
Share of unrecognised losses for the year	6,969	1,556
Net carrying value of Group's interest in joint ventures	-	-

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in-progress RM'000	Total RM'000
<b>2020</b>								
<b>Cost</b>								
At 1 January	17,973	71,617	27,996	2,452	2,978	40,370	6,446	169,832
Additions	-	-	2,304	-	-	-	515	2,819
Disposals/write-off	-	-	-	(336)	-	-	-	(336)
Reclassification	-	-	-	-	-	5,847	(5,847)	-
At 31 December	17,973	71,617	30,300	2,116	2,978	46,217	1,114	172,315
<b>Accumulated depreciation</b>								
At 1 January	-	16,716	23,600	1,151	2,394	39,460	-	83,321
Charge for the year	-	1,435	1,519	362	469	1,123	-	4,908
Disposals/write-off	-	-	-	(336)	-	-	-	(336)
At 31 December	-	18,151	25,119	1,177	2,863	40,583	-	87,893
<b>Net carrying amount</b>	17,973	53,466	5,181	939	115	5,634	1,114	84,422
<b>2019</b>								
<b>Cost</b>								
At 1 January	17,973	71,617	25,370	2,058	2,978	40,339	840	161,175
Additions	-	-	2,721	394	-	31	5,606	8,752
Disposals/write-off	-	-	(95)	-	-	-	-	(95)
At 31 December	17,973	71,617	27,996	2,452	2,978	40,370	6,446	169,832
<b>Accumulated depreciation</b>								
At 1 January	-	15,284	22,745	881	1,447	39,218	-	79,575
Charge for the year	-	1,432	950	270	947	242	-	3,841
Disposals/write-off	-	-	(95)	-	-	-	-	(95)
At 31 December	-	16,716	23,600	1,151	2,394	39,460	-	83,321
<b>Net carrying amount</b>	17,973	54,901	4,396	1,301	584	910	6,446	86,511

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Group							Total RM'000
	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in- progress RM'000	
<b>2020</b>								
<b>Cost</b>								
At 1 January	17,973	71,617	24,679	2,085	2,949	40,370	6,446	166,119
Additions	-	-	2,155	-	-	-	515	2,670
Disposals/write off	-	-	-	(336)	-	-	-	(336)
Reclassification	-	-	-	-	-	5,847	(5,847)	-
At 31 December	17,973	71,617	26,834	1,749	2,949	46,217	1,114	168,453
<b>Accumulated depreciation</b>								
At 1 January	-	16,716	20,435	786	2,365	39,460	-	79,762
Charge for the year	-	1,435	1,458	362	469	1,123	-	4,847
Disposals/write off	-	-	-	(336)	-	-	-	(336)
At 31 December	-	18,151	21,893	812	2,834	40,583	-	84,273
<b>Net carrying amount</b>	17,973	53,466	4,941	937	115	5,634	1,114	84,180
<b>2019</b>								
<b>Cost</b>								
At 1 January	17,973	71,617	22,025	1,691	2,949	40,339	840	157,434
Additions	-	-	2,659	394	-	31	5,606	8,690
Disposals/write off	-	-	(5)	-	-	-	-	(5)
At 31 December	17,973	71,617	24,679	2,085	2,949	40,370	6,446	166,119
<b>Accumulated depreciation</b>								
At 1 January	-	15,284	19,564	516	1,418	39,218	-	76,000
Charge for the year	-	1,432	876	270	947	242	-	3,767
Disposals/write off	-	-	(5)	-	-	-	-	(5)
At 31 December	-	16,716	20,435	786	2,365	39,460	-	79,762
<b>Net carrying amount</b>	17,973	54,901	4,244	1,299	584	910	6,446	86,357

## NOTES TO THE FINANCIAL STATEMENTS

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## 14. INVESTMENT PROPERTIES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cost</b>				
At 1 January	382	682	382	382
Transfer to assets held for sale (Note 44)	-	(300)	-	-
At 31 December	382	382	382	382
<b>Depreciation</b>				
At 1 January	45	81	45	37
Charge for the year	7	10	7	8
Transfer to assets held for sale (Note 44)	-	(46)	-	-
At 31 December	52	45	52	45
<b>Carrying amount</b>	330	337	330	337
	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Included in the above are:				
Buildings	330	337	330	337
	330	337	330	337

- (i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank to be RM400,000 (2019: RM400,000) and RM400,000 (2019: RM400,000) respectively which have been determined by an accredited independent valuer.

## 15. INTANGIBLE ASSETS

	Computer software			
	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cost</b>				
At 1 January	33,881	31,629	29,792	27,540
Addition	1,957	2,252	1,953	2,252
At 31 December	35,838	33,881	31,745	29,792
<b>Amortisation</b>				
At 1 January	27,091	24,644	23,196	20,923
Amortisation charged	2,637	2,447	2,504	2,273
At 31 December	29,728	27,091	25,700	23,196
<b>Carrying amount</b>	6,110	6,790	6,045	6,596

## NOTES TO THE FINANCIAL STATEMENTS

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## 16. LEASES

## (a) The carrying amounts of right-of-use assets recognised and the movements during the year:

	Group		Bank	
	Other equipment			
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cost</b>				
At 1 January	497	409	441	353
Addition during the year	172	88	172	88
At 31 December	669	497	613	441
<b>Depreciation</b>				
At 1 January	140	-	127	-
Charge for the year	198	140	185	127
At 31 December	338	140	312	127
<b>Carrying amount</b>	331	357	301	314

## (b) The carrying amounts of lease liabilities and the movements during the year:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	354	409	309	353
Addition during the year	172	88	172	88
Accretion of interest	29	24	27	21
Payments	(211)	(167)	(195)	(153)
At 31 December	344	354	313	309
Current	26	144	25	142
Non-current	318	210	288	167
	344	354	313	309

The maturity analysis of lease liabilities are disclosed in Note 46 c(i).

## (c) The following are the amounts recognised in profit or loss:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Depreciation expense of right-of-use assets	198	140	185	127
Interest expense on lease liabilities (Note 29)	17	24	15	21
Finance cost on lease liabilities (Note 48(r))	12	-	12	-
Expense relating to leases of low-value assets (included in overhead expenses)	337	418	337	418
Total amount recognised in profit or loss	564	582	549	566

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	40,138	111,180	36,939	108,947
Recognised in statement of profit or loss	108,643	(32,167)	110,467	(33,653)
Recognised in other comprehensive income	(32,438)	(38,875)	(32,619)	(38,355)
At 31 December	116,343	40,138	114,787	36,939
Presented after appropriate offsetting as follows:				
Deferred tax assets	116,402	40,521	114,787	36,939
Deferred tax liabilities	(59)	(383)	-	-
	116,343	40,138	114,787	36,939

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 components and movements of deferred tax assets and liabilities during the year prior to offsetting are as follows:

## Deferred tax assets

Group	Loan/ financing loss and allowances RM'000	Provisions and other temporary differences RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2020	65,478	5,848	3,390	74,716
Recognised in statement of profit or loss	111,156	(2,535)	(1,356)	107,265
At 31 December 2020	176,634	3,313	2,034	181,981
At 1 January 2019	97,405	14,003	2,373	113,781
Recognised in statement of profit or loss	(31,927)	(8,155)	1,017	(39,065)
At 31 December 2019	65,478	5,848	3,390	74,716

## Deferred tax liabilities

Group	Unrealised FVOCI reserve RM'000	Loan/ financing loss and allowances RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2020	(33,723)	(267)	(588)	(34,578)
Recognised in statement of profit or loss	951	28	399	1,378
Recognised in other comprehensive income	(32,438)	-	-	(32,438)
At 31 December 2020	(65,210)	(239)	(189)	(65,638)
At 1 January 2019	(1,710)	(658)	(233)	(2,601)
Recognised in statement of profit or loss	6,862	391	(355)	6,898
Recognised in other comprehensive income	(38,875)	-	-	(38,875)
At 31 December 2019	(33,723)	(267)	(588)	(34,578)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 17. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

The components and movements of deferred tax assets and liabilities during the year prior to offsetting are as follows (cont'd.):

## Deferred tax assets

Bank	Loan/ financing loss and allowances RM'000	Provisions and other temporary differences RM'000	Total RM'000
At 1 January 2020	65,338	5,541	70,879
Recognised in statement of profit or loss	111,772	(2,655)	109,117
At 31 December 2020	177,110	2,886	179,996
At 1 January 2019	97,405	13,634	111,039
Recognised in statement of profit or loss	(32,067)	(8,093)	(40,160)
At 31 December 2019	65,338	5,541	70,879

## Deferred tax liabilities

Bank	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2020	(33,542)	(398)	(33,940)
Recognised in statement of profit or loss	951	399	1,350
Recognised in other comprehensive income	(32,619)	-	(32,619)
At 31 December 2020	(65,210)	1	(65,209)
At 1 January 2019	(2,049)	(43)	(2,092)
Recognised in statement of profit or loss	6,862	(355)	6,507
Recognised in other comprehensive income	(38,355)	-	(38,355)
At 31 December 2019	(33,542)	(398)	(33,940)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 18. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2020 RM'000	2019 RM'000
<b>At amortised cost</b>		
Fixed deposits and negotiable instruments of deposits	5,346,836	5,492,175
(a) The deposits are sourced from the following types of deposit:		
Tawarruq	5,346,836	4,852,186
Others	-	639,989
	5,346,836	5,492,175
(b) The deposits are sourced from the following types of customers:		
Business enterprises	1,462,647	880,874
Government and statutory bodies	3,884,189	4,611,301
	5,346,836	5,492,175
(c) The deposits maturity structure are as follows:		
Less than six months	4,872,156	4,893,965
Six months to one year	131,416	254,946
One year to three years	161,300	-
Three years to five years	181,964	272,454
Over five years	-	70,810
	5,346,836	5,492,175

## 19. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group and Bank	
	2020 RM'000	2019 RM'000
<b>At amortised cost</b>		
Licensed banks	801,092	1,032,669
(a) The deposits maturity structure are as follows:		
Less than six months	801,092	1,032,669

## NOTES TO THE FINANCIAL STATEMENTS

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## 20. OTHER LIABILITIES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Provision for taxation	68	72	-	-
Zakat payables	12,275	24,520	9,823	21,350
Bank guarantee received in advance	18,460	21,763	17,047	21,327
Trade creditors	413	514	-	-
Security deposits	22,730	17,094	-	-
Sundry creditors and accruals	47,360	58,486	22,757	37,216
	101,306	122,449	49,627	79,893

## 21. REDEEMABLE NOTES/SUKUK

	Note	Group and Bank	
		2020 RM'000	2019 RM'000
<b>Redeemable non-guaranteed notes/sukuk</b>			
Medium term notes	(i)	404,626	404,695
Sukuk Murabahah	(ii)	4,041,259	3,034,278
		4,445,885	3,438,973
<b>Redeemable guaranteed notes/sukuk</b>			
Medium term notes	(iii)	510,718	510,718
Sukuk Murabahah	(iv)	3,041,441	3,041,969
		3,552,159	3,552,687
Infrastructure notes – nominal value	(v)	253,236	303,883
Less: Unaccreted discount		(1,964)	(2,371)
		251,272	301,512
		8,249,316	7,293,172

- (i) This note carries a coupon rate of 6.30% per annum with a tenure of 15 years. This note will mature in April 2021.
- (ii) These sukuk carry profit rates ranging between 2.80% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2027, 2032, October 2025, 2027, 2030 and November 2026, 2031 and 2035.
- (iii) These notes carry coupon rates ranging between 4.52% to 5.08% per annum and for tenures of 7 to 15 years. These notes will mature in January 2023 and 2031.
- (iv) These sukuk carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These sukuk will mature in September 2021, 2024, 2029 and 2034 respectively.
- (v) This note has a maturity of 25 years with nominal value of RM250,000,000 (2019: RM300,000,000), which carries a coupon rate of 7.50% (2019: 7.50%) per annum. The note will mature in October 2025.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 21. REDEEMABLE NOTES/SUKUK (CONT'D.)

The movements in the redeemable notes/sukuk are as follows:

Group and Bank	Non-Murabahah		Murabahah	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Redeemable non-guaranteed notes/sukuk</b>				
Principal				
At 1 January	400,000	400,000	3,000,000	3,000,000
Issued during the year	-	-	1,000,000	-
At 31 December	400,000	400,000	4,000,000	3,000,000
Accrued interest/profit payable				
At 1 January	4,695	4,695	34,278	34,656
Charge for the year	25,269	25,200	147,146	139,787
Repayment/payment during the year	(25,338)	(25,200)	(140,165)	(140,165)
At 31 December	4,626	4,695	41,259	34,278
	404,626	404,695	4,041,259	3,034,278
<b>Redeemable guaranteed notes/sukuk</b>				
Principal				
At 1 January/31 December	500,000	500,000	3,000,000	3,000,000
Accrued interest/profit payable				
At 1 January	10,718	10,652	41,969	42,202
Charge for the year	24,066	24,000	137,101	137,397
Repayment/payment during the year	(24,066)	(23,934)	(137,629)	(137,630)
At 31 December	10,718	10,718	41,441	41,969
	510,718	510,718	3,041,441	3,041,969
<b>Infrastructure notes</b>				
Principal				
At 1 January			300,000	350,000
Repayment during the year			(50,000)	(50,000)
At 31 December			250,000	300,000
Unaccreted discount				
At 1 January			(2,371)	(2,778)
Accreted discount during the year			407	407
At 31 December			(1,964)	(2,371)
Accrued interest payable				
At 1 January			3,883	4,531
Charge for the year			21,914	25,602
Repayment during the year			(22,561)	(26,250)
At 31 December			3,236	3,883
			251,272	301,512

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 22. BORROWINGS

Group and Bank	Note	31 December 2020		31 December 2019	
		Due after twelve months RM'000	Due within twelve months RM'000	Due after twelve months RM'000	Due within twelve months RM'000
Loans from Employees Provident Fund ("EPF")					
Unsecured:	22 (a)				
Principal		500,000	-	1,700,000	400,000
Interest		-	8,466	-	24,490
		500,000	8,466	1,700,000	424,490
Other loans					
Unsecured:	22 (b)				
Principal		-	-	-	50,000
Interest		-	-	-	1,238
		-	-	-	51,238
		500,000	8,466	1,700,000	475,728
<b>Total borrowings</b>			508,466		2,175,728

The movements in borrowings are as follows:

Group and Bank	Loans from EPF		Other loans	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unsecured:				
Principal				
At 1 January	2,100,000	2,500,000	50,000	150,000
Repayment during the year	(1,600,000)	(400,000)	(50,000)	(100,000)
At 31 December	500,000	2,100,000	-	50,000
Accrued interest payable				
At 1 January	24,490	28,148	1,238	3,726
Charge for the year	73,459	103,511	243	4,869
Repayment during the year	(89,483)	(107,169)	(1,481)	(7,357)
At 31 December	8,466	24,490	-	1,238
<b>Total borrowings</b>	508,466	2,124,490	-	51,238

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 22. BORROWINGS (CONT'D.)

## (a) Loan from EPF

Note	Group and Bank Principal	
	2020 RM'000	2019 RM'000
Loan 1	-	1,600,000
Loan 2	500,000	500,000
	500,000	2,100,000

(i) The loan has been fully settled in the current year.

(ii) The loan is repayable in 10 equal instalments over a period of 5 years, commencing 2024.

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 4.56% to 5.23% (2019: 4.52% to 5.23%) per annum.

## (b) Other Loans - unsecured:

Note	Group and Bank Principal	
	2020 RM'000	2019 RM'000
Loan from:		
Pension Trust Fund Council ("PTFC")	-	50,000
	-	50,000

Other loan - unsecured is the loan from PTFC amounting to RM nil (2019: RM50,000,000) and repayable in 10 instalments over a period of 6 years, commencing from 2015. The loan has been fully settled in the current year.

## 23. INFRASTRUCTURE SUPPORT FUND ("ISF")

Note	Group and Bank	
	2020 RM'000	2019 RM'000
<b>ISF - Novated loans</b>		
At 1 January/31 December	(i) 303,974	303,974
<b>Infrastructure Support Fund</b>	(ii)	
At 1 January	135,155	192
Stage 1 ECL made during the year against ISF (Note 48(m))	(58,562)	-
Stage 2 ECL made during the year against ISF (Note 48(m))	(79,158)	-
Refund of government compensation (Note 31)	3,094	134,963
At 31 December	529	135,155
	304,503	439,129

(i) The amount relates to financial assistance given by the Government of Malaysia upon novation of loans and the related borrowing to finance the loans to the Bank. The Fund will be utilised to cover any future losses, costs and expenses incurred by the Bank upon the final settlement of the loans.

(ii) The amount relates to funds received from the Government to cover losses arising from loan/financing default, any allowance for impairment losses, write-off and other liquidity requirements that may arise from loans/financing given for government infrastructure projects.

## NOTES TO THE FINANCIAL STATEMENTS

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## 24. DEFERRED INCOME

	Group and Bank	
	2020 RM'000	2019 RM'000
At 1 January	212,255	219,962
Received from Government during the year	4,338	7,056
Utilised during the year	(14,793)	(14,763)
At 31 December	201,800	212,255

Deferred income relates to amount received from the government for profit rate differentials on a financing given for a government infrastructure project.

## 25. SHARE CAPITAL

Group and Bank	Number of shares		Amount	
	2020 '000	2019 '000	2020 RM'000	2019 RM'000
<b>Issued and fully paid:</b>				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

## 26. RESERVES

Note	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Non-distributable:</b>				
Capital reserve	26 (i)	1,000	1,000	-
Statutory reserve	26 (ii)	2,098,571	2,073,366	2,098,571
Unrealised FVOCI reserve	26 (iii)	271,830	160,311	271,830
Exchange translation reserve	26 (iv)	(7,122)	(6,997)	-
		2,364,279	2,227,680	2,370,401
<b>Distributable:</b>				
Retained profits	27	2,506,739	2,576,058	2,297,429
		4,871,018	4,803,738	4,667,830

- (i) The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous financial years.
- (ii) The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.
- (iii) Unrealised FVOCI reserve represents the cumulative fair value changes and allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 26. RESERVES (CONT'D.)

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	160,311	5,401	159,749	6,486
Unrealised gain on fair value changes	135,508	137,827	135,116	135,660
Changes in allowance for expected credit losses	9,405	55,958	9,405	55,958
Transfer to retained profits on the disposal of equity instruments at FVOCI	(956)	-	179	-
Transfer to deferred tax	(32,438)	(38,875)	(32,619)	(38,355)
At 31 December	271,830	160,311	271,830	159,749

- (iv) The exchange translation 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.

## 27. RETAINED PROFITS

The retained profits of the Bank can be distributed as dividends under the single-tier system.

## 28. INTEREST INCOME

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loans and advances	296,575	472,451	288,486	460,672
Loss on loans modification <sup>#</sup>	(516)	(2,810)	(516)	(2,810)
Compensation from the Government	70,771	111,470	70,771	111,470
Money at call and deposit placements with financial institutions	29,854	64,862	23,242	55,554
Financial investments at FVOCI	122,522	77,560	122,522	77,560
	519,206	723,533	504,505	702,446
Accretion of discount less amortisation of premium	(19,138)	(4,943)	(19,138)	(4,943)
	500,068	718,590	485,367	697,503
<b>Of which:</b>				
Interest income earned on impaired loans and advances	3,609	29,931	3,654	29,931

<sup>#</sup> This relates to Rescheduled and Restructured ("R&R") loans provided prior to 1 January 2020.



## NOTES TO THE FINANCIAL STATEMENTS

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## 29. INTEREST EXPENSE

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deposits from customers	6,230	48,788	6,230	48,788
Deposits and placements from financial institutions	11,444	6,139	11,444	6,139
Borrowings	73,701	108,380	73,701	108,380
Redeemable notes	71,657	75,209	71,657	75,209
Lease	17	24	15	21
	163,049	238,540	163,047	238,537

## 30. NON-INTEREST INCOME

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) Investment income:				
Net gain arising on financial investment at FVTPL:				
– gross dividend income	–	25	–	25
Net gain arising on financial investment at FVOCI:				
– net gain on disposal	49,546	24,138	49,546	24,138
Gross dividend income from subsidiaries	–	–	–	36,040
	49,546	24,163	49,546	60,203
(b) Other income:				
Fee income	2,820	3,598	631	1,037
Rental income:				
– Subsidiaries	–	–	284	321
– Others	804	1,597	804	1,597
Gain on disposal of property, plant and equipment	322	–	106	–
Gain on foreign exchange realised	143	–	–	–
Others	625	580	67	27
	4,714	5,775	1,892	2,982
Total non-interest income	54,260	29,938	51,438	63,185

## 31. REFUND OF GOVERNMENT COMPENSATION

During the year, a loan provided to a borrower funded by the ISF has been repaid. As a result of the repayment, an amount of RM3,093,605 (2019: RM134,963,235) relating to the ISF recognised as income in prior years to compensate for impairment allowance made on the borrower was refunded to the ISF and recognised as an expense in the current year.

## NOTES TO THE FINANCIAL STATEMENTS

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## 32. OVERHEAD EXPENSES

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personnel costs	(i)	57,564	73,615	51,883	68,082
Establishment related expenses	(ii)	14,362	14,119	13,278	13,306
Promotion and marketing expenses	(iii)	2,052	3,813	2,051	3,813
General administrative expenses	(iv)	33,133	21,986	34,682	19,943
		107,111	113,533	101,894	105,144
Overhead expenses charged to subsidiaries via SLA		–	–	(447)	(617)
		107,111	113,533	101,447	104,527
<b>(i) Personnel costs</b>					
Salaries, allowances and bonuses		42,300	58,427	37,695	54,052
Non-executive Directors' fees and remuneration		1,093	1,303	1,064	1,195
Social security cost		407	396	359	349
Pension costs – Defined contribution plan		7,774	7,628	7,033	6,933
Other staff related expenses		5,990	5,861	5,732	5,553
		57,564	73,615	51,883	68,082
<b>(ii) Establishment related expenses</b>					
Depreciation:					
Property, plant and equipment		4,908	3,841	4,847	3,767
Investment properties		7	10	7	8
Right-of-use assets		198	140	185	127
Amortisation of intangible assets		2,637	2,447	2,504	2,273
Repairs and maintenance of property, plant and equipment		1,615	1,523	1,597	1,500
Information technology expenses		4,997	6,158	4,138	5,631
		14,362	14,119	13,278	13,306
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		2,052	3,813	2,051	3,813
<b>(iv) General administrative expenses</b>					
General administrative expenses		13,962	20,881	15,951	19,266
Payment to EPF for early settlements of loans		17,984	–	17,984	–
Auditors' remuneration:					
– Statutory audit					
– Current year		1,107	792	720	494
– Non-audit services					
– regulatory related services		80	313	27	183
		33,133	21,986	34,682	19,943

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 33. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows:

2020	Remuneration received from the Bank						Remuneration received from Subsidiary Companies					
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Group total RM'000	
<b>President/Group Chief Executive Officer</b>												
Arshad bin Mohamed Ismail	510	-	-	88	74	-	672	-	-	-	672	
	510	-	-	88	74	-	672	-	-	-	672	
<b>Non-Executive Directors:</b>												
Datuk Zaiton binti Mohd Hassan	-	180	-	-	121	9	310	-	-	-	310	
Dato' Othman bin Semail	-	48	-	-	56	-	104	-	-	-	104	
Dr. Mohamed Ashraf bin Mohamed Iqbal	-	48	-	-	116	-	164	-	12	-	176	
Dato' Wan Mohd Fadzmi bin Che Wan	-	48	-	-	91	-	139	-	7	-	146	
Ariff bin Rozhan	-	48	-	-	74	-	122	-	4	-	126	
Tan Lye Sim	-	34	-	-	46	-	80	-	-	-	80	
Tan Sri Dr. Rahamat Bivi binti Yusoff	-	36	-	-	53	-	89	-	4	-	93	
Norazilla binti Md Tahir	-	18	-	-	38	-	56	-	2	-	58	
	-	460	-	-	595	9	1,064	-	29	-	1,093	
<b>Total</b>	<b>510</b>	<b>460</b>	<b>-</b>	<b>88</b>	<b>669</b>	<b>9</b>	<b>1,736</b>	<b>-</b>	<b>29</b>	<b>-</b>	<b>1,765</b>	

## NOTES TO THE FINANCIAL STATEMENTS

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## 33. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows (cont'd.):

2019	Remuneration received from the Bank						Remuneration received from Subsidiary Companies					
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Group total RM'000	
<b>President/Group Chief Executive Officer</b>												
Arshad bin Mohamed Ismail	373	-	-	56	-	-	429	-	-	-	429	
	373	-	-	56	-	-	429	-	-	-	429	
<b>Non-Executive Directors:</b>												
Datuk Zaiton binti Mohd Hassan	-	175	-	-	109	6	290	-	-	-	290	
Dato' Othman bin Semail	-	50	-	-	86	-	136	-	-	-	136	
Dr. Mohamed Ashraf bin Mohamed Iqbal	-	48	-	-	136	-	184	-	26	-	210	
Dato' Wan Mohd Fadzmi bin Che Wan	-	34	-	-	63	-	97	-	2	-	99	
Ariff bin Rozhan	-	32	-	-	29	-	61	-	-	-	61	
Datuk Wan Azhar bin Wan Ahmad	-	9	-	-	18	-	27	47	14	-	88	
Suffian bin Baharuddin	-	7	-	-	20	-	27	-	-	-	27	
Musa bin Abdul Malek	-	7	-	-	20	-	27	-	-	-	27	
Datuk Seri Hashmudin bin Mohammad	-	4	-	-	6	-	10	-	-	-	10	
Tan Lye Sim	-	54	-	-	128	-	182	-	-	-	182	
Tan Sri Dr. Rahamat Bivi binti Yusoff	-	54	-	-	100	-	154	10	9	-	173	
	-	474	-	-	715	6	1,195	57	51	-	1,303	
<b>Total</b>	<b>373</b>	<b>474</b>	<b>-</b>	<b>56</b>	<b>715</b>	<b>6</b>	<b>1,624</b>	<b>57</b>	<b>51</b>	<b>-</b>	<b>1,732</b>	

## NOTES TO THE FINANCIAL STATEMENTS

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## 34. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are defined as President/Group Chief Executive Officer and Directors of the Bank, executive and non-executive having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly. The remuneration and compensation of the President/Group Chief Executive Officer and Directors of the Bank during the financial year are as follows:

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Short term employee benefits' (excluding benefits-in-kind)	33	1,756	1,726	1,727	1,618
Included in the above are:					
President/Group Chief Executive Officer and Executive Director's remuneration (excluding benefits-in-kind)	33	672	429	672	429

## 35. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS, FINANCING AND ADVANCES

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Stage 1 – 12-month ECL, net	264,534	118,733	264,895	116,081
Stage 2 – Lifetime ECL not credit impaired, net	405,321	(152,567)	402,519	(151,789)
Stage 3 – Lifetime ECL credit impaired, net	22,251	132,924	13,561	133,789
Staff loans/financing:				
Stage 1 – 12-month ECL, net	(206)	-	(206)	-
Impaired loans/financing:				
Written off	2,382	15,610	1,689	13,938
Recovered	(24,061)	(18,926)	(21,673)	(13,587)
	670,221	95,774	660,785	98,432

## 36. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial investments at FVOCI	9,405	55,958	9,405	55,958
Investments in subsidiaries	-	-	659	1,215
Investment in JV	-	173	-	-
Tenant – written back	(13)	(9)	(13)	(9)
Allowance for ex-staff loan/financing:				
Stage 1 – 12-month ECL, net	1	-	1	-
Stage 3 – Lifetime ECL credit impaired, net	78	(17)	78	(17)
	9,471	56,105	10,130	57,147

## NOTES TO THE FINANCIAL STATEMENTS

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## 37. TAXATION

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income tax expense:				
Current income tax	150,145	140,011	148,285	133,210
Over provision in prior years	(2,265)	(68,345)	(249)	(68,196)
	147,880	71,666	148,036	65,014
Deferred tax expense:				
Reversal of temporary differences	(110,709)	(36,834)	(110,675)	(35,360)
Under provision in prior years	2,066	69,001	208	69,013
	(108,643)	32,167	(110,467)	33,653
	39,237	103,833	37,569	98,667

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before taxation and zakat	157,540	379,720	147,158	434,733
Tax using Malaysian tax rate of 24% (2019: 24%)	37,810	91,133	35,318	104,336
Income not subject to tax	(1,953)	(7,473)	(1,052)	(7,324)
Non-deductible expenses	3,579	19,517	3,344	838
Under provision of deferred tax in prior years	2,066	69,001	208	69,013
Over provision of income tax in prior years	(2,265)	(68,345)	(249)	(68,196)
Taxation	39,237	103,833	37,569	98,667

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 38. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2020		2019	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2019 ordinary, net of tax	3.25	100,000	-	-
Final 2019 special, net of tax	1.69	52,214	-	-
Final 2018 ordinary, net of tax	-	-	3.25	100,000
	4.94	152,214	3.25	100,000

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2020, on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM75,000,000 (2.44 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

## 39. EARNINGS PER SHARE ("EPS")

The basic/diluted EPS of the Group are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2020	2019
Profit attributable to equity holders of the Bank (RM'000)		
- operations	107,144	251,770
Number of ordinary shares in issue ('000)	3,078,724	3,078,724
Basic/diluted EPS (sen) for:		
- operations	3.48	8.18

## 40. COMMITMENTS AND CONTINGENCIES

(a) Loan and financing related commitments and contingencies of the Group and the Bank which are not included in these financial statements are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Disbursement of loans/financing to industries	5,029,365	5,230,637	4,596,974	5,011,830
Secured guarantees on behalf of borrowers/customers given to third parties	2,317,596	2,301,585	2,317,596	2,301,585
	7,346,961	7,532,222	6,914,570	7,313,415

(b) Capital commitments of the Group and the Bank which are not included in these financial statements are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital expenditure:				
Approved but not contracted for	29,802	50,522	29,282	50,522

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 41. CAPITAL ADEQUACY

## Capital management

## Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.

## Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis. In line with this objective, Bank Negara Malaysia has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

In order to further strengthen the capital position of the Bank through a progressive and systematic building up of the reserve fund, the minimum RWCR under both normal and stress scenarios shall not be less than 20% and 12% respectively.

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	Bank	
	2020 RM'000	2019 RM'000
<b>Tier 1 capital</b>		
Paid-up share capital	3,078,724	3,078,724
Other reserves	4,667,830	4,607,322
Less: Deferred tax asset	(114,787)	(36,939)
Total Tier 1 capital	7,631,767	7,649,107
<b>Tier 2 capital</b>		
Government support funds	506,303	651,384
Stage 1 and Stage 2 ECL	1,802,285	1,135,077
Total Tier 2 capital	2,308,588	1,786,461
Total capital	9,940,355	9,435,568
Less: Investment in subsidiaries	(254,767)	(255,426)
Total capital base	9,685,588	9,180,142

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

	Bank	
	2020 RM'000	2019 RM'000
20%	198,596	661,234
50%	1,240,387	1,339,339
100%	21,175,598	21,641,645
	22,614,581	23,642,218

Without deducting proposed dividend:

	Bank	
	2020 %	2019 %
Core capital ratio	33.747	32.354
RWCR	42.829	38.829

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 41. CAPITAL ADEQUACY (CONT'D.)

## Capital management (cont'd.)

## Regulatory capital (cont'd.)

After deducting proposed dividend:

	Bank	
	2020 %	2019 %
Core capital ratio	33.415	31.710
RWCR	42.497	38.186

## Capital monitoring

The Bank's capital is closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Bank sets an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to Management and Board of Directors.

## BNM Policy Document on Transitional Arrangement for Regulatory Capital Treatments of Accounting Provisions for DFI

On 11 December 2020, the Bank elected to apply the BNM Policy Document on Transitional Arrangement for Regulatory Capital Treatments of Accounting Provisions for DFI issued on 9 December 2020. The Policy Document was applied by the Bank in its financial statements for the current financial year ended 31 December 2020 and will be applied for the next three-year financial years up to 31 December 2023.

Financial impact analysis based on the Policy Document is tabulated below:

	Bank	
	Exposures Amount RM'000	
<b>Add-back</b>	667,208	
Total Stage 1 and Stage 2 ECL as at reporting date	1,802,285	
Total Stage 1 and Stage 2 ECL as at beginning of the year on the year of election	1,135,077	
Add-back factor as at reporting date during the year	100%	

	Bank	
	Before Transitional Arrangement RM'000	After Transitional Arrangement RM'000
<b>Total Tier 1 Capital</b>	<b>7,631,767</b>	<b>8,298,975</b>
of which: Total Add-back	-	667,208
<b>Total Additional Tier 1 Capital</b>	-	<b>667,208</b>
<b>Total Tier 2 Capital</b>	<b>2,308,588</b>	<b>1,641,380</b>
of which: Loss provisions	1,802,285	1,135,077
<b>Total RWA</b>	<b>22,614,581</b>	<b>22,614,581</b>

	Bank	
	Before Transitional Arrangement Ratio (%)	After Transitional Arrangement Ratio (%)
<b>Tier 1 Capital</b>	<b>33.747</b>	<b>36.697</b>
<b>Total Capital</b>	<b>42.829</b>	<b>42.829</b>

## NOTES TO THE FINANCIAL STATEMENTS

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## 42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group 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 Government of Malaysia ("GOM") is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (2019: 99.99%). GOM and entities directly controlled by GOM are collectively referred to as government-related entities to the Group and the Bank.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel includes all the Directors of the Bank as disclosed in Note 34.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The Group established credit policies, pricing strategy and approval process for loans/financing, which are independent of whether the counter parties are government-related entities or not. The significant related party transactions and balances of the Group and the Bank are as follows:

## 42.1 Significant balances and transactions with a significant shareholder

## (a) Significant balances with a significant shareholder

	Group and Bank	
	2020 RM'000	2019 RM'000
<b>Other assets</b>		
Amount receivable from Government in respect of compensation for:		
Foreign exchange differences	85,361	85,361
Infrastructure projects	146,937	109,216

## (b) Significant transactions with a significant shareholder

	Group and Bank	
	2020 RM'000	2019 RM'000
<b>Conventional</b>		
Interest compensation from Government of Malaysia	70,771	111,470
Refund of government compensation	3,094	134,963
<b>Islamic</b>		
Profit compensation from Government of Malaysia	33,069	17,894
Stage 1 ECL made during the year against ISF	58,562	-
Stage 2 ECL made during the year against ISF	79,158	-
Fee income from Unit Kerjasama Awam Swasta ("UKAS")	785	572

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

## 42.2 Significant balances and transactions with a significant shareholder's linked companies and bodies

## (a) Significant balances with a significant shareholder's linked companies and bodies

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Assets</b>				
Short term deposits	917,800	2,524,345	754,775	2,257,815
Deposits and placements with financial institution	185,772	924,915	51,137	882,828
Financial investments at FVOCI	5,712,727	4,629,258	5,712,727	4,624,313
<b>Liabilities</b>				
Deposits from customers	5,333,740	5,492,175	5,333,740	5,492,175
Deposits and placements from financial institutions	500,650	702,107	500,650	702,107
Redeemable notes	8,249,316	7,293,172	8,249,316	7,293,172
Borrowings	508,466	2,175,728	508,466	2,175,728
ISF	304,503	439,129	304,503	439,129
Deferred income	201,800	212,255	201,800	212,255

## (b) Significant transactions with a significant shareholder's linked companies and bodies

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Conventional</b>				
<b>Income</b>				
Money at call and deposit placements with financial institutions	29,765	63,047	23,153	53,738
Financial investments at FVOCI	116,533	75,034	116,533	75,034
Amortisation of premium less accretion of discount	(19,138)	(4,943)	(19,138)	(4,943)
Dividend from financial investments at FVTPL	-	25	-	25
Dividend from subsidiaries	-	-	-	36,040
Rental income	804	1,597	1,088	1,918
<b>Expenses</b>				
Interest expense on:				
Deposits from customers and financial institutions	(13,561)	(54,528)	(13,561)	(54,528)
Borrowings	(73,701)	(108,380)	(73,701)	(108,380)
Redeemable notes	(71,657)	(75,209)	(71,657)	(75,209)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

## 42.2 Significant balances and transactions with a significant shareholder's linked companies and bodies (cont'd.)

## (b) Significant transactions with a significant shareholder's linked companies and bodies (cont'd.)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Islamic</b>				
<b>Income</b>				
Finance income from deposits and placements with financial institutions	14,429	41,632	14,100	40,637
Financial investments at FVOCI	41,853	39,607	41,853	39,607
Accretion of discount less amortisation of premium	2,986	16,041	2,986	16,041
Rental income	155	-	250	-
<b>Expenses</b>				
Income attributable to the depositors:				
Deposits from customers and financial institutions	(132,865)	(194,857)	(132,865)	(194,857)
Sukuk	(284,248)	(277,184)	(284,248)	(277,184)

## 42.3 Significant balances and transactions with subsidiaries, associates and JVs

## (a) Significant balances with subsidiaries, associates and JVs

	Bank	
	2020 RM'000	2019 RM'000
<b>Conventional</b>		
Loans to subsidiaries	51	44
Payment on behalf of subsidiary	1,716	546

## (b) Significant transactions with subsidiaries, associates and JVs

	Bank	
	2020 RM'000	2019 RM'000
<b>Conventional</b>		
<b>Income</b>		
Rental income from subsidiaries	379	321
Fee Income from subsidiaries	447	617
<b>Expenses</b>		
Management fee expense from subsidiaries	(12)	(12)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

## 42.4 Significant balances and transactions with Group's related parties

## (a) Significant balances with the Group's related parties

	Group	
	2020 RM'000	2019 RM'000
Other assets		
Trade receivables due from related parties	9,226	9,468
Other liabilities		
Trade payables due to related parties	5	-

The credit exposures above are based on paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with related parties as follows:

- Directors of the Bank and their close relatives;
- Controlling shareholder of the Bank and his close relatives;
- Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;
- Officers who are responsible for or have authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;
- Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- Subsidiary of an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan/financing commitments.

## 43. LOANS/FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank			
	2020		2019	
	Total Exposure RM'000	Impaired RM'000	Total Exposure RM'000	Impaired RM'000
Credit facility and leasing (except guarantee)	1,311,645	276,177	917,463	276,177
<b>Total</b>	<b>1,311,645</b>	<b>276,177</b>	<b>917,463</b>	<b>276,177</b>
<b>Total exposure to connected parties as % of total capital</b>	<b>14%</b>	<b>3%</b>	<b>11%</b>	<b>3%</b>
<b>Total exposure to connected parties as % of total outstanding financial exposure</b>	<b>4%</b>	<b>1%</b>	<b>3%</b>	<b>1%</b>

The above disclosure on loans/financing facilities with connected parties is presented in accordance with para 14.1 as per BNM's policy on loans/financing facilities with connected parties, which became effective on 13 July 2016.

## NOTES TO THE FINANCIAL STATEMENTS

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## 44. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2020 RM'000	2019 RM'000
At 1 January	254	-
Disposed during the financial year	(254)	-
Transfer from investment properties	-	254
At 31 December	-	254

- On 21 February 2019, a subsidiary had entered into Sales and Purchase Agreements ("SPAs") with a purchaser for the disposal of building in Pahang for a total cash consideration of RM332,000 subject to the terms and conditions as stipulated in the SPAs. The transaction has been completed on 21 February 2020.
- On 4 February 2019, a subsidiary had entered into SPAs with a purchaser for the disposal Land for a total cash consideration of RM138,000 subject to the terms and conditions as stipulated in the SPAs, specifically the transfer of title for the land. The transaction has been completed on 2 February 2020.

## 45. COMPANIES IN THE GROUP

## (a) The subsidiaries, all incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank		Principal activities
	2020 %	2019 %	
BPMB Urus Harta Sdn Bhd	100.00	100.00	Dormant
Emerald Upline Sdn Bhd	100.00	100.00	Dormant
Global Maritime Ventures Berhad	90.00	90.00	Venture capital investment
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
SME Growth Acceleration Fund Sdn Bhd	100.00	100.00	Venture capital investment

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 45. COMPANIES IN THE GROUP (CONT'D.)

- (b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank		Principal activities
	2020 %	2019 %	
Nilam Navigation Sdn Bhd #	63.00	63.00	Dormant
Sari Navigation Sdn Bhd #	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding
GMV-Alam Sdn Bhd	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	Investment holding
GMV-Borcoss Sdn Bhd #	90.00	90.00	Investment holding
GMV-Gagasan Sdn Bhd #	90.00	90.00	Investment holding
GMV-Global Sdn Bhd #	90.00	90.00	Investment holding
GMV-Efogen Sdn Bhd #	90.00	90.00	Investment holding
GMV-Jasa Sdn Bhd *	-	90.00	Investment holding
GMV-Omni Sdn Bhd *	-	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	Dormant
GMV-Offshore Sdn Bhd	90.00	90.00	Investment holding

- (c) Details of subsidiary companies of Glory Incentive Sdn Bhd ("GISB"), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank		Principal activities
	2020 %	2019 %	
Ayu Navigation Sdn Bhd	63.00	63.00	Dormant

- (d) Details of a subsidiary company of GMV-Global Sdn Bhd, which is incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank		Principal activities
	2020 %	2019 %	
Bahtera Berlian Sdn Bhd #	90.00	90.00	Ship-management

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## 45. COMPANIES IN THE GROUP (CONT'D.)

- (e) Details of subsidiary companies of Pembangunan Leasing Corporation Sdn Bhd ("PLC"), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank		Principal activities
	2020 %	2019 %	
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, factoring, insurance agency and letting of properties
BI Credit & Leasing	100.00	100.00	Credit and leasing

# Placed under creditors voluntary liquidation.

\* Represent companies dissolved during the year.

## 46. FINANCIAL INSTRUMENTS RISK

## Financial risk management objectives and policies

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the enterprise wide risk exposure, which include credit, market, liquidity and operational risk and seek to minimise potential adverse effects on the financial performance of the Group and the Bank. As part of the Group's and the Bank's strategy to integrate the management and control of risks across the various risk segments, a dedicated function known as the Group Risk Management had been established.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence to Group financial risk management policies, which are reported to and approved by the Board of Directors ("BOD"). The BOD also approves the treasury policies, which cover the management of these risks.

The main areas of financial risks faced by the Group are set out as follows:

## (a) Credit risk

Credit risk is the potential loss of revenue, either principal or profit or both, arising from customers or counterparties' failure or unwillingness to honour their contractual financial obligations in accordance with the agreed terms and. It arises primarily from financing activities through financing as well as commitments to support customers' obligations to third parties i.e. guarantee. Trading and investing the surplus funds of the Bank, such as trading or holding of debt securities and deposit placements also expose the Bank to credit risk.

Credit risk management activities conducted by the Bank are within Credit Risk Management Framework and policies approved by the Board of Directors, which entails the entire credit value chain starting from credit risk assessment, credit approval, credit risk measurement, credit risk monitoring, credit concentration, problem credits, credit risk reporting and independent review.

Credit risk is principally managed through the establishment of financing directions, internal controls, risk appetite, policies and guidelines to enhance financing asset quality. Credit processes are structured to ensure adherence to credit policies and to establish impartiality in financing origination, approval, documentation, disbursement and settlement. The Bank has been proactively managing its credit risk exposures within acceptable parameters to enable the Bank to pursue its business directions sustainably.

All credit proposals are rated using an internal two dimensional credit rating system, which include the estimate of PD, LGD and EAD for all credit exposures to measure each customer's risk of default and facility risk. The Bank's internal credit rating scorecards have been periodically updated, with the latest review concluded in 2020, so as to ensure that the credit rating model remained robust and relevant with the changing business environment. The Bank embraces prudent credit decision making and only viable financing proposals with well-mitigated risk are considered for financing.

Credit reviews on existing customers are performed at least once a year and more frequent on watch-list accounts to proactively manage any delinquencies, maximise recoveries and to ensure timely recognition of asset impairment and/or provisions. The staging of accounts are assessed according to the established triggers for MFRS 9 accounting standard in identifying significant increase in customer's credit risk.



## NOTES TO THE FINANCIAL STATEMENTS

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## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

In addition, the Bank has in place the Early Warning Signal ("EWS") guidelines which serve as an overarching document/process for assessing and monitoring credit risk to safeguard the Bank's assets.

Prudential limits are established according to various categories such as customer and industry sector to minimise concentration risk. Single Customer Limit ("SCL") captures Group exposure to manage the Bank's and subsidiaries' concentration risk to common group of customers at group level.

Sector limit for commercial financing is being observed to monitor undesirable concentration which could expose the Bank to higher risk of financing. Meanwhile, counterparty limits are in place to control over exposure to a single financial institution.

Collateral is taken whenever possible to mitigate reduce credit risk exposure at default. The value of collateral is monitored periodically through updated valuation. Policies and processes are in place to monitor collateral value.

The overall credit risk management is subject to an ongoing process for reviewing and enhancement from time to time so as to be in line with regulatory requirements. Audit is periodically performed by the Group Internal Audit to ensure that credit policies and procedures are complied with.

Credit risk oversight is provided by Board Credit Committee ("BCC"). For application of financing for connected parties, such application is subject to the approval of the BOD.

## (i) Credit exposure

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>On balance sheet:</b>					
Cash and short term deposits	4	1,035,238	2,648,922	861,787	2,371,020
Deposits and placements with financial institutions	5	185,772	924,915	51,137	882,828
Financial investments at FVTPL	6	45,566	-	45,566	-
Financial investments at FVOCI - debt	7	6,021,866	4,917,850	6,021,866	4,917,850
Loans, financing and advances	8	15,584,069	15,701,772	15,394,417	15,545,685
Other assets	9	249,811	213,535	240,927	200,976
		23,122,322	24,406,994	22,615,700	23,918,359
Other assets not subject to credit risk		353,357	256,110	592,807	493,017
		23,475,679	24,663,104	23,208,507	24,411,376
<b>Off balance sheet:</b>					
Commitments and Contingencies	40(a)	7,346,961	7,532,222	6,914,570	7,313,415
		30,822,640	32,195,326	30,123,077	31,724,791

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

## (ii) The following table sets out the credit risk concentration by economic sectors:

Group	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
<b>2020</b>							
Agriculture, hunting and forestry	-	-	-	11	-	11	-
Construction	-	-	673,951	8,587,263	-	9,261,214	4,231,300
Education	-	-	-	1,616,395	-	1,616,395	492,237
Electrical, gas and water supply	-	-	441,173	43,242	-	484,415	28,352
Finance, insurance/ takaful and business	1,221,010	-	4,074,976	99,908	-	5,395,894	109,403
Hotel and restaurants	-	-	-	773,089	-	773,089	613,017
Housing	-	-	-	4,622	-	4,622	-
Manufacturing	-	-	15,950	206,313	-	222,263	512,763
Marine related	-	-	-	296,824	-	296,824	150,025
Medical and pharmaceuticals	-	-	-	9,967	-	9,967	-
Other community, social and personal service activities	-	-	122,896	304,495	-	427,391	580,939
Public administration and defence	-	-	-	7,756	-	7,756	-
Real estate, renting and business activities	-	-	616,634	328,930	-	945,564	400,000
Shipping	-	45,566	76,286	586,734	-	708,586	93,807
Shipyard	-	-	-	64,922	-	64,922	-
Transport, storage and communications	-	-	-	2,653,598	-	2,653,598	135,118
Others	-	-	-	-	249,811	249,811	-
	1,221,010	45,566	6,021,866	15,584,069	249,811	23,122,322	7,346,961
Other assets not subject to credit risk	-	-	-	-	353,357	353,357	-
	1,221,010	45,566	6,021,866	15,584,069	603,168	23,475,679	7,346,961

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

## (ii) The following table sets out the credit risk concentration by economic sectors (cont'd.):

Group	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
<b>2019</b>						
Agriculture, hunting and forestry	-	-	10	-	10	-
Construction	-	476,606	8,095,058	-	8,571,664	4,446,183
Education	-	-	1,714,907	-	1,714,907	500,396
Electrical, gas and water supply	-	377,457	75,939	-	453,396	73,690
Finance, insurance/takaful and business	3,573,837	3,329,650	89,089	-	6,992,576	2,038
Hotel and restaurants	-	-	758,757	-	758,757	772,465
Housing	-	-	5,004	-	5,004	-
Manufacturing	-	21,188	257,821	-	279,009	119,794
Marine related	-	-	159,919	-	159,919	219,210
Material technology	-	-	-	-	-	300,000
Medical and pharmaceuticals	-	-	11,709	-	11,709	-
Other community, social and personal service activities	-	-	240,091	-	240,091	620,619
Public administration and defence	-	-	14,662	-	14,662	-
Real estate, renting and business activities	-	671,319	339,073	-	1,010,392	97,000
Shipping	-	41,630	693,882	-	735,512	332,642
Shipyards	-	-	104,953	-	104,953	-
Transport, storage and communications	-	-	3,140,898	-	3,140,898	38,740
Others	-	-	-	213,535	213,535	9,445
	3,573,837	4,917,850	15,701,772	213,535	24,406,994	7,532,222
Other assets not subject to credit risk	-	-	-	256,110	256,110	-
	3,573,837	4,917,850	15,701,772	469,645	24,663,104	7,532,222

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

## (ii) The following table sets out the credit risk concentration by economic sectors (cont'd.):

Bank	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
<b>2020</b>							
Construction	-	-	673,951	8,584,813	-	9,258,764	4,177,860
Education	-	-	-	1,616,395	-	1,616,395	492,237
Electrical, gas and water supply	-	-	441,173	43,242	-	484,415	28,352
Finance, insurance/takaful and business	912,924	-	4,074,976	-	-	4,987,900	-
Hotel and restaurants	-	-	-	721,882	-	721,882	444,237
Housing	-	-	-	4,622	-	4,622	-
Manufacturing	-	-	15,950	202,623	-	218,573	444,365
Marine related	-	-	-	296,824	-	296,824	150,025
Medical and pharmaceuticals	-	-	-	9,967	-	9,967	-
Other community, social and personal service activities	-	-	122,896	298,017	-	420,913	559,289
Public administration and defence	-	-	-	7,756	-	7,756	-
Real estate, renting and business activities	-	-	616,634	328,930	-	945,564	400,000
Shipping	-	45,566	76,286	586,734	-	708,586	93,807
Shipyards	-	-	-	64,922	-	64,922	-
Transport, storage and communications	-	-	-	2,627,690	-	2,627,690	124,398
Others	-	-	-	-	240,927	240,927	-
	912,924	45,566	6,021,866	15,394,417	240,927	22,615,700	6,914,570
Other assets not subject to credit risk	-	-	-	-	592,807	592,807	-
	912,924	45,566	6,021,866	15,394,417	833,734	23,208,507	6,914,570

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

## (ii) The following table sets out the credit risk concentration by economic sectors (cont'd.):

Bank	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
<b>2019</b>						
Construction	-	476,606	8,095,025	-	8,571,631	4,416,183
Education	-	-	1,714,907	-	1,714,907	500,396
Electrical, gas and water supply	-	377,457	75,939	-	453,396	73,690
Finance, insurance/takaful and business	3,253,848	3,329,650	-	-	6,583,498	-
Hotel and restaurants	-	-	737,249	-	737,249	640,370
Housing	-	-	5,004	-	5,004	-
Manufacturing	-	21,188	251,153	-	272,341	88,778
Marine related	-	-	159,919	-	159,919	219,210
Material technology	-	-	-	-	-	300,000
Medical and pharmaceuticals	-	-	11,709	-	11,709	-
Other community, social and personal service activities	-	-	229,011	-	229,011	620,619
Public administration and defence	-	-	14,662	-	14,662	-
Real estate, renting and business activities	-	671,319	339,073	-	1,010,392	97,000
Shipping	-	41,630	693,882	-	735,512	332,642
Shipyards	-	-	104,953	-	104,953	-
Transport, storage and communications	-	-	3,113,199	-	3,113,199	24,527
Others	-	-	-	200,976	200,976	-
	3,253,848	4,917,850	15,545,685	200,976	23,918,359	7,313,415
Other assets not subject to credit risk	-	-	-	493,017	493,017	-
	3,253,848	4,917,850	15,545,685	693,993	24,411,376	7,313,415

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

## (iii) Gross loans, financing and advances are rated based on internal rating by the Bank:

Group	2020				2019			
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
<b>Group</b>								
Upper-medium grade	105,405	529	-	105,934	957,412	1,347	-	958,759
Medium grade	4,911,760	20,833	-	4,932,593	4,156,086	4,096	-	4,160,182
Speculative	6,168,128	7,323	-	6,175,451	7,271,743	17,402	-	7,289,145
Considered speculative	4,747,168	13,570	-	4,760,738	3,408,134	43,761	-	3,451,895
Poor standing	568,042	78,748	-	646,790	162,013	-	-	162,013
Impaired	-	-	2,116,328	2,116,328	-	-	2,216,787	2,216,787
	16,500,503	121,003	2,116,328	18,737,834	15,955,388	66,606	2,216,787	18,238,781
<b>Bank</b>								
Upper-medium grade	91,353	-	-	91,353	934,377	-	-	934,377
Medium grade	4,839,998	-	-	4,839,998	4,114,336	-	-	4,114,336
Speculative	6,086,502	-	-	6,086,502	7,201,992	-	-	7,201,992
Considered speculative	4,747,168	13,570	-	4,760,738	3,408,134	38,573	-	3,446,707
Poor standing	568,042	78,748	-	646,790	162,013	-	-	162,013
Impaired	-	-	2,093,919	2,093,919	-	-	2,200,280	2,200,280
	16,333,063	92,318	2,093,919	18,519,300	15,820,852	38,573	2,200,280	18,059,705

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

## (iv) Aging analysis of impaired and past due but not impaired loans, financing and advances

Analysis of loans, financing and advances that are impaired and past due but not impaired based on the Group's and the Bank's internal credit rating system are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Impaired:				
0 month overdue	360,600	92,339	360,600	92,339
1 month overdue	1,518	-	1,518	-
2 months overdue	52,742	-	52,742	-
3 months overdue	109,577	32,156	109,577	32,156
> 3 months overdue	1,591,891	2,092,301	1,569,482	2,075,785
	2,116,328	2,216,796	2,093,919	2,200,280
Past due but not impaired:				
1 Month Overdue	104,848	37,745	92,318	-
2 Months Overdue	11,194	41,609	-	38,573
3 Months Overdue	4,961	6,365	-	-
	121,003	85,719	92,318	38,573

## (v) Collateral and credit enhancement for loans, financing and advances

Collateral represents the asset pledged by a borrower/customer and/or a third party on behalf of the borrower/customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Bank, and subject to seizure in the event of default. Collateral provides to the Bank with a secondary repayment/payment source, i.e. a source of fund to help recover its investment if the borrower/customer is unable to repay/pay the facility obtained from the Bank.

The Group and the Bank would consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral amounts and types held by the Group and the Bank are as in the next page:

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

## (v) Collateral and credit enhancement for loans, financing and advances (cont'd.)

## Collateral by amount

	2020				2019			
	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000
<b>Group</b>								
Past due but not impaired	92,318	28,685	121,003	261,822	38,573	28,033	66,606	280,000
Impaired	1,467,292	649,036	2,116,328	3,422,962	1,493,694	723,093	2,216,787	3,501,640
	1,559,610	677,721	2,237,331	3,684,784	1,532,267	751,126	2,283,393	3,781,640
<b>Bank</b>								
Past due but not impaired	92,318	-	92,318	261,822	38,573	-	38,573	280,000
Impaired	1,467,292	626,627	2,093,919	3,422,962	1,493,694	706,586	2,200,280	3,501,640
	1,559,610	626,627	2,186,237	3,684,784	1,532,267	706,586	2,238,853	3,781,640

## Collateral by type

	2020				2019			
	Guarantee by CGC RM'000	Properties and equipment RM'000	Vessels RM'000	Total RM'000	Guarantee by CGC RM'000	Properties and equipment RM'000	Vessels RM'000	Total RM'000
<b>Group</b>								
Past due but not impaired	-	261,822	-	261,822	-	280,000	-	280,000
Impaired	35,066	2,730,030	657,866	3,422,962	5,166	2,807,255	689,219	3,501,640
	35,066	2,991,852	657,866	3,684,784	5,166	3,087,255	689,219	3,781,640
<b>Bank</b>								
Past due but not impaired	-	261,822	-	261,822	-	280,000	-	280,000
Impaired	35,066	2,730,030	657,866	3,422,962	5,166	2,807,255	689,219	3,501,640
	35,066	2,991,852	657,866	3,684,784	5,166	3,087,255	689,219	3,781,640

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (a) Credit risk (cont'd.)

## (vi) Restructured loans/financing

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired where there are fundamental revision in the principal terms and conditions of the facilities. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans/financing held by the Group and the Bank stood at RM9,935.2 million (2019: RM8,523.5 million).

## (vii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counter parties' rating:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial investments at FVOCI				
Sovereign	4,089,966	3,188,895	4,089,966	3,188,895
AAA	933,592	846,388	933,592	846,388
AA	409,421	329,210	409,421	329,210
BBB	109,669	98,527	109,669	98,527
Non-rated	479,218	454,830	479,218	454,830
	6,021,866	4,917,850	6,021,866	4,917,850

## (b) Market risk

## (i) Interest/profit rate risk

Interest/profit rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest/profit rates.

Interest/profit rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest/profit rate risk management process which is conducted in accordance with the Group's policies as approved by the BOD.

The table below shows the Group's and the Bank's net interest/finance income sensitivity based on possible parallel shift in interest/profit rate.

	Group and Bank			
	Impact on interest/ profit 2020 RM'000	Impact on interest/ profit 2019 RM'000	Impact on equity 2020 RM'000	Impact on equity 2019 RM'000
Interest/profit rate				
- parallel shift				
+ 50 basis points	8,390	17,267	(205,827)	(184,399)
- 50 basis points	(8,390)	(17,267)	205,827	184,399

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

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

Group	Non-trading book						Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000		
<b>2020</b>								
<b>Assets</b>								
Cash and short term deposits	1,021,813	-	-	-	-	13,425	1,035,238	2.02
Deposits and placements with financial institutions	-	185,772	-	-	-	-	185,772	-
Financial investments at FVTPL	-	-	-	-	-	45,566	45,566	-
Financial investments at FVOCI	57,466	-	24,982	1,599,134	4,340,284	109,672	6,131,538	4.43
Financial investments at amortised cost								
Loans, financing and advances								
- non-impaired	281,437	265,188	844,502	4,420,222	10,798,395	11,762	16,621,506	6.09
- impaired *	-	-	-	-	-	(1,037,437)	(1,037,437)	-
Other assets	-	-	-	-	-	249,811	249,811	-
<b>Total assets</b>	<b>1,360,716</b>	<b>450,960</b>	<b>869,484</b>	<b>6,019,356</b>	<b>15,138,679</b>	<b>(607,201)</b>	<b>23,231,994</b>	

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Group	Non-trading book						Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000				
<b>2020 (cont'd.)</b>									
<b>Equity and liabilities</b>									
Deposits from customers	1,947,848	1,934,272	1,069,461	395,255	-	-	5,346,836	2.50	
Deposits and placements from financial institutions	601,092	200,000	-	-	-	-	801,092	1.87	
Other liabilities	-	-	-	-	-	101,306	101,306	-	
Redeemable notes/Sukuk	101,280	-	1,100,000	1,883,036	5,165,000	-	8,249,316	4.61	
Borrowings	8,466	-	-	150,000	350,000	-	508,466	4.87	
Infrastructure support fund	-	-	-	-	-	304,503	304,503	-	
Deferred income	-	-	-	-	-	201,800	201,800	-	
Lease liabilities	-	-	-	-	-	344	344	-	
<b>Total liabilities</b>	<b>2,658,686</b>	<b>2,134,272</b>	<b>2,169,461</b>	<b>2,428,291</b>	<b>5,515,000</b>	<b>607,953</b>	<b>15,513,663</b>		
<b>Total interest/profit sensitivity gap</b>	<b>(1,297,970)</b>	<b>(1,683,312)</b>	<b>(1,299,977)</b>	<b>3,591,065</b>	<b>9,623,679</b>	<b>(1,215,154)</b>	<b>7,718,331</b>		

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Group	Non-trading book						Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000				
<b>2019</b>									
<b>Assets</b>									
Cash and short term deposits	2,634,616	-	-	-	-	14,306	2,648,922	3.23	
Deposits and placements with financial institutions	-	924,915	-	-	-	-	924,915	-	
Financial investments at FVOCI	51,269	-	-	1,051,313	3,815,267	106,116	5,023,965	4.33	
Loans, financing and advances									
- non-impaired	161,095	201,778	696,590	3,729,658	11,220,423	12,441	16,021,985	6.41	
- impaired *	-	-	-	-	-	(320,222)	(320,222)	-	
Other assets	-	-	-	-	-	213,535	213,535	-	
<b>Total assets</b>	<b>2,846,980</b>	<b>1,126,693</b>	<b>696,590</b>	<b>4,780,971</b>	<b>15,035,690</b>	<b>26,176</b>	<b>24,513,100</b>		
<b>Equity and liabilities</b>									
Deposits from customers	1,163,140	1,838,281	2,079,982	321,179	89,593	-	5,492,175	3.79	
Deposits and placements from financial institutions	882,669	150,000	-	-	-	-	1,032,669	3.25	
Other liabilities	-	-	-	-	-	122,449	122,449	-	
Redeemable notes/Sukuk	93,172	-	-	2,350,000	4,850,000	-	7,293,172	4.85	
Borrowings	75,728	-	400,000	1,250,000	450,000	-	2,175,728	4.72	
Infrastructure support fund	-	-	-	-	-	439,129	439,129	-	
Deferred income	-	-	-	-	-	212,255	212,255	-	
Lease liabilities	-	-	-	-	-	354	354	-	
<b>Total liabilities</b>	<b>2,214,709</b>	<b>1,988,281</b>	<b>2,479,982</b>	<b>3,921,179</b>	<b>5,389,593</b>	<b>774,187</b>	<b>16,767,931</b>		
<b>Total interest/profit sensitivity gap</b>	<b>632,271</b>	<b>(861,588)</b>	<b>(1,783,392)</b>	<b>859,792</b>	<b>9,646,097</b>	<b>(748,011)</b>	<b>7,745,169</b>		

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Bank	Non-trading book						Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
<b>2020</b>									
<b>Assets</b>									
Cash and short term deposits	858,789	-	-	-	-	2,998	861,787	1.83	
Deposits and placements with financial institutions	-	51,137	-	-	-	-	51,137	-	
Financial investments at FVTPL	-	-	-	-	-	45,566	45,566	-	
Financial investments at FVOCI	57,466	-	24,982	1,599,134	4,340,284	109,672	6,131,538	4.43	
Loans, financing and advances									
- non-impaired	265,872	251,119	806,555	4,298,149	10,791,924	11,762	16,425,381	6.05	
- impaired *	-	-	-	-	-	(1,030,964)	(1,030,964)	-	
Other assets	-	-	-	-	-	240,927	240,927	-	
<b>Total assets</b>	<b>1,182,127</b>	<b>302,256</b>	<b>831,537</b>	<b>5,897,283</b>	<b>15,132,208</b>	<b>(620,039)</b>	<b>22,725,372</b>		
<b>Equity and liabilities</b>									
Deposits from customers	1,947,848	1,934,272	1,069,461	395,255	-	-	5,346,836	2.50	
Deposits and placements from financial institutions	601,092	200,000	-	-	-	-	801,092	1.87	
Other liabilities	-	-	-	-	-	49,627	49,627	-	
Redeemable notes/Sukuk	101,280	-	1,100,000	1,883,036	5,165,000	-	8,249,316	4.61	
Borrowings	8,466	-	-	150,000	350,000	-	508,466	4.87	
Infrastructure support fund	-	-	-	-	-	304,503	304,503	-	
Deferred income	-	-	-	-	-	201,800	201,800	-	
Lease liabilities	-	-	-	-	-	313	313	-	
<b>Total liabilities</b>	<b>2,658,686</b>	<b>2,134,272</b>	<b>2,169,461</b>	<b>2,428,291</b>	<b>5,515,000</b>	<b>556,243</b>	<b>15,461,953</b>		
<b>Total interest/profit sensitivity gap</b>	<b>(1,476,559)</b>	<b>(1,832,016)</b>	<b>(1,337,924)</b>	<b>3,468,992</b>	<b>9,617,208</b>	<b>(1,176,282)</b>	<b>7,263,419</b>		

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (b) Market risk (cont'd.)

## (i) Interest/profit rate risk (cont'd.)

Bank	Non-trading book						Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000				
<b>2019</b>									
<b>Assets</b>									
Cash and short term deposits	2,368,087	-	-	-	-	2,933	2,371,020	3.25	
Deposits and placements with financial institutions	-	882,828	-	-	-	-	882,828	-	
Financial investments at FVOCI	51,269	-	-	1,051,313	3,815,268	101,170	5,019,020	4.33	
Loans, financing and advances									
- non-impaired	161,095	201,778	693,330	3,638,503	11,152,278	12,441	15,859,425	6.39	
- impaired *	-	-	-	-	-	(313,740)	(313,740)	-	
Other assets	-	-	-	-	-	200,976	200,976	-	
<b>Total assets</b>	<b>2,580,451</b>	<b>1,084,606</b>	<b>693,330</b>	<b>4,689,816</b>	<b>14,967,546</b>	<b>3,780</b>	<b>24,019,529</b>		
<b>Equity and liabilities</b>									
Deposits from customers	1,163,140	1,838,281	2,079,982	321,179	89,593	-	5,492,175	3.79	
Deposits and placements from financial institutions	882,669	150,000	-	-	-	-	1,032,669	3.25	
Other liabilities	-	-	-	-	-	79,893	79,893	-	
Redeemable notes/Sukuk	93,172	-	-	2,350,000	4,850,000	-	7,293,172	4.85	
Borrowings	75,728	-	400,000	1,250,000	450,000	-	2,175,728	4.72	
Infrastructure support fund	-	-	-	-	-	439,129	439,129	-	
Deferred income	-	-	-	-	-	212,255	212,255	-	
Lease liabilities	-	-	-	-	-	309	309	-	
<b>Total liabilities</b>	<b>2,214,709</b>	<b>1,988,281</b>	<b>2,479,982</b>	<b>3,921,179</b>	<b>5,389,593</b>	<b>731,586</b>	<b>16,725,330</b>		
<b>Total interest/profit sensitivity gap</b>	<b>365,742</b>	<b>(903,675)</b>	<b>(1,786,652)</b>	<b>768,637</b>	<b>9,577,953</b>	<b>(727,806)</b>	<b>7,294,199</b>		

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (c) Liquidity risk

Liquidity risk is the risk that the Group and the Bank will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments/financing payment over a range of maturities.

The Group and the Bank manage their liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments/payments to fund providers. The Group and the Bank may raise funds locally and globally either through government-to-government arrangements or direct negotiations. Other sources of funding through the capital market are being explored on an on-going basis to ensure a diversity of funding source.

## (i) Contractual maturity of total assets and liabilities

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Group and the Bank.

Group	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>2020</b>							
<b>Assets</b>							
Cash and short term deposits	1,035,238	-	-	-	-	-	1,035,238
Deposits and placements with financial institutions	-	185,772	-	-	-	-	185,772
Financial investments at FVTPL	-	-	-	-	-	45,566	45,566
Financial investments at FVOCI	-	-	25,046	1,614,915	4,381,905	109,672	6,131,538
Loans, financing and advances							
- non-impaired	902,989	265,188	844,212	4,419,446	10,177,909	11,762	16,621,506
- impaired *	-	-	-	-	-	(1,037,437)	(1,037,437)
Other assets	-	-	-	-	-	249,811	249,811
<b>Total assets</b>	<b>1,938,227</b>	<b>450,960</b>	<b>869,258</b>	<b>6,034,361</b>	<b>14,559,814</b>	<b>(620,626)</b>	<b>23,231,994</b>
<b>Equity and liabilities</b>							
Deposits from customers	2,016,173	1,927,236	1,060,163	343,264	-	-	5,346,836
Deposits and placements from financial institutions	600,941	200,151	-	-	-	-	801,092
Other liabilities	-	-	-	-	-	101,306	101,306
Redeemable notes/Sukuk	-	-	1,113,457	1,907,459	5,228,400	-	8,249,316
Borrowings	-	-	-	152,610	355,856	-	508,466
Infrastructure support fund	-	-	-	-	-	304,503	304,503
Deferred income	-	-	-	-	-	201,800	201,800
Lease liabilities	2	4	20	318	-	-	344
<b>Total liabilities</b>	<b>2,617,116</b>	<b>2,127,391</b>	<b>2,173,640</b>	<b>2,403,651</b>	<b>5,584,256</b>	<b>607,609</b>	<b>15,513,663</b>
<b>Net maturity mismatches</b>	<b>(678,889)</b>	<b>(1,676,431)</b>	<b>(1,304,382)</b>	<b>3,630,710</b>	<b>8,975,558</b>	<b>(1,228,235)</b>	<b>7,718,331</b>

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (c) Liquidity risk (cont'd.)

## (i) Contractual maturity of total assets and liabilities (cont'd.)

Group	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>2019</b>							
<b>Assets</b>							
Cash and short term deposits	2,648,922	-	-	-	-	-	2,648,922
Deposits and placements with financial institutions	-	924,915	-	-	-	-	924,915
Financial investments at FVOCI	-	-	-	1,062,104	3,855,745	106,116	5,023,965
Loans, financing and advances							
- non-impaired	774,608	201,778	696,590	3,729,658	10,606,919	12,441	16,021,994
- impaired *	-	-	-	-	-	(320,222)	(320,222)
Other assets	-	-	-	-	-	213,535	213,535
<b>Total assets</b>	<b>3,423,530</b>	<b>1,126,693</b>	<b>696,590</b>	<b>4,791,762</b>	<b>14,462,664</b>	<b>11,870</b>	<b>24,513,109</b>
<b>Equity and liabilities</b>							
Deposits from customers	1,250,951	1,832,024	2,065,935	272,454	70,811	-	5,492,175
Deposits and placements from financial institutions	882,399	150,270	-	-	-	-	1,032,669
Other liabilities	-	-	-	-	-	122,449	122,449
Redeemable notes/Sukuk	-	-	-	2,382,418	4,910,754	-	7,293,172
Borrowings	51,239	-	403,950	1,262,944	457,595	-	2,175,728
Infrastructure support fund	-	-	-	-	-	439,129	439,129
Deferred income	-	-	-	-	-	212,255	212,255
Lease liabilities	12	25	107	210	-	-	354
<b>Total liabilities</b>	<b>2,184,601</b>	<b>1,982,319</b>	<b>2,469,992</b>	<b>3,918,026</b>	<b>5,439,160</b>	<b>773,833</b>	<b>16,767,931</b>
<b>Net maturity mismatches</b>	<b>1,238,929</b>	<b>(855,626)</b>	<b>(1,773,402)</b>	<b>873,736</b>	<b>9,023,504</b>	<b>(761,963)</b>	<b>7,745,178</b>

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (c) Liquidity risk (cont'd.)

## (i) Contractual maturity of total assets and liabilities (cont'd.)

Bank	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>2020</b>							
<b>Assets</b>							
Cash and short term deposits	861,787	-	-	-	-	-	861,787
Deposits and placements with financial institutions	-	51,137	-	-	-	-	51,137
Financial investments at FVTPL	-	-	-	-	-	45,566	45,566
Financial investments at FVOCI	-	-	25,046	1,614,915	4,381,905	109,672	6,131,538
Loans, financing and advances							
- non-impaired	887,424	251,119	806,265	4,297,373	10,171,438	11,762	16,425,381
- impaired *	-	-	-	-	-	(1,030,964)	(1,030,964)
Other assets	-	-	-	-	-	240,927	240,927
<b>Total assets</b>	<b>1,749,211</b>	<b>302,256</b>	<b>831,311</b>	<b>5,912,288</b>	<b>14,553,343</b>	<b>(623,037)</b>	<b>22,725,372</b>
<b>Equity and liabilities</b>							
Deposits from customers	2,016,173	1,927,236	1,060,163	343,264	-	-	5,346,836
Deposits and placements from financial institutions	600,941	200,151	-	-	-	-	801,092
Other liabilities	-	-	-	-	-	49,627	49,627
Redeemable notes/Sukuk	-	-	1,113,457	1,907,459	5,228,400	-	8,249,316
Borrowings	-	-	-	152,610	355,856	-	508,466
Infrastructure support fund	-	-	-	-	-	304,503	304,503
Deferred income	-	-	-	-	-	201,800	201,800
Lease liabilities	2	4	19	288	-	-	313
<b>Total liabilities</b>	<b>2,617,116</b>	<b>2,127,391</b>	<b>2,173,639</b>	<b>2,403,621</b>	<b>5,584,256</b>	<b>555,930</b>	<b>15,461,953</b>
<b>Net maturity mismatches</b>	<b>(867,905)</b>	<b>(1,825,135)</b>	<b>(1,342,328)</b>	<b>3,508,667</b>	<b>8,969,087</b>	<b>(1,178,967)</b>	<b>7,263,419</b>

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (c) Liquidity risk (cont'd.)

## (i) Contractual maturity of total assets and liabilities (cont'd.)

Bank	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>2019</b>							
<b>Assets</b>							
Cash and short term deposits	2,371,020	-	-	-	-	-	2,371,020
Deposits and placements with financial institutions	-	882,828	-	-	-	-	882,828
Financial investments at FVOCI	-	-	-	1,062,104	3,855,746	101,170	5,019,020
Loans, financing and advances							
- non-impaired	774,608	201,778	693,330	3,638,503	10,538,765	12,441	15,859,425
- impaired *	-	-	-	-	-	(313,740)	(313,740)
Other assets	-	-	-	-	-	200,976	200,976
<b>Total assets</b>	<b>3,145,628</b>	<b>1,084,606</b>	<b>693,330</b>	<b>4,700,607</b>	<b>14,394,511</b>	<b>847</b>	<b>24,019,529</b>
<b>Equity and liabilities</b>							
Deposits from customers	1,250,951	1,832,024	2,065,935	272,454	70,811	-	5,492,175
Deposits and placements from financial institutions	882,399	150,270	-	-	-	-	1,032,669
Other liabilities	-	-	-	-	-	79,893	79,893
Redeemable notes/Sukuk	-	-	-	2,382,418	4,910,754	-	7,293,172
Borrowings	51,239	-	403,950	1,262,944	457,595	-	2,175,728
Infrastructure support fund	-	-	-	-	-	439,129	439,129
Deferred income	-	-	-	-	-	212,255	212,255
Lease liabilities	12	24	106	167	-	-	309
<b>Total liabilities</b>	<b>2,184,601</b>	<b>1,982,318</b>	<b>2,469,991</b>	<b>3,917,983</b>	<b>5,439,160</b>	<b>731,277</b>	<b>16,725,330</b>
<b>Net maturity mismatches</b>	<b>961,027</b>	<b>(897,712)</b>	<b>(1,776,661)</b>	<b>782,624</b>	<b>8,955,351</b>	<b>(730,430)</b>	<b>7,294,199</b>

\* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (c) Liquidity risk (cont'd.)

## (ii) Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 2020 and 31 December 2019. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage interest liquidity risk based on discounted expected cash flows.

Group	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>2020</b>							
<b>Liabilities</b>							
Deposits from customers	2,017,610	1,934,272	1,069,461	351,656	-	-	5,372,999
Deposits and placements from financial institutions	601,247	200,876	-	-	-	-	802,123
Other liabilities	-	-	-	-	-	101,306	101,306
Redeemable notes/Sukuk	-	-	1,154,530	1,690,386	7,062,465	-	9,907,381
Borrowings	-	-	-	183,781	467,093	-	650,874
Lease liabilities	17	35	157	378	-	-	587
<b>Total liabilities</b>	<b>2,618,874</b>	<b>2,135,183</b>	<b>2,224,148</b>	<b>2,226,201</b>	<b>7,529,558</b>	<b>101,306</b>	<b>16,835,270</b>
<b>2019</b>							
<b>Liabilities</b>							
Deposits from customers	1,252,626	1,842,865	2,096,150	278,253	73,420	-	5,543,314
Deposits and placements from financial institutions	883,207	150,892	-	-	-	-	1,034,099
Other liabilities	-	-	-	-	-	122,449	122,449
Redeemable notes/Sukuk	-	-	-	2,612,260	7,715,330	-	10,327,590
Borrowings	51,481	-	409,149	1,403,652	611,503	-	2,475,785
Lease liabilities	14	28	127	231	-	-	400
<b>Total liabilities</b>	<b>2,187,328</b>	<b>1,993,785</b>	<b>2,505,426</b>	<b>4,294,396</b>	<b>8,400,253</b>	<b>122,449</b>	<b>19,503,637</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 46. FINANCIAL INSTRUMENTS RISK (CONT'D.)

## (c) Liquidity risk (cont'd.)

## (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
<b>2020</b>							
<b>Liabilities</b>							
Deposits from customers	2,017,610	1,934,272	1,069,461	351,656	-	-	5,372,999
Deposits and placements from financial institutions	601,247	200,876	-	-	-	-	802,123
Other liabilities	-	-	-	-	-	49,627	49,627
Redeemable notes/Sukuk	-	-	1,154,530	1,690,386	7,062,465	-	9,907,381
Borrowings	-	-	-	183,781	467,093	-	650,874
Lease liabilities	16	32	146	344	-	-	538
<b>Total liabilities</b>	<b>2,618,873</b>	<b>2,135,180</b>	<b>2,224,137</b>	<b>2,226,167</b>	<b>7,529,558</b>	<b>49,627</b>	<b>16,783,542</b>
<b>2019</b>							
<b>Liabilities</b>							
Deposits from customers	1,252,626	1,842,865	2,096,150	278,253	73,420	-	5,543,314
Deposits and placements from financial institutions	883,207	150,892	-	-	-	-	1,034,099
Other liabilities	-	-	-	-	-	79,893	79,893
Redeemable notes/Sukuk	-	-	-	2,612,260	7,715,330	-	10,327,590
Borrowings	51,481	-	409,149	1,403,652	611,503	-	2,475,785
Lease liabilities	13	26	116	197	-	-	352
<b>Total liabilities</b>	<b>2,187,327</b>	<b>1,993,783</b>	<b>2,505,415</b>	<b>4,294,362</b>	<b>8,400,253</b>	<b>79,893</b>	<b>19,461,033</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 47. FAIR VALUES MEASUREMENTS

## (a) Financial assets and liabilities measured at fair value

**Determination of fair value and the fair value hierarchy**

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank classify their financial assets and financial liabilities which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

- Level 1 – Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities instruments;
- Level 2 – Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and
- Level 3 – Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain government sukuk and corporate sukuk, financing, derivatives and investment properties.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 47. FAIR VALUES MEASUREMENTS (CONT'D.)

## (a) Financial assets and liabilities measured at fair value (cont'd.)

**Determination of fair value and the fair value hierarchy (cont'd.)**

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities.

Group	2020				2019			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets measured at fair value:</b>								
Financial investments at FVTPL	-	45,566	-	45,566	-	-	-	-
Financial investments at FVOCI	109,672	6,021,866	-	6,131,538	106,115	4,917,850	-	5,023,965
Total financial assets carried at fair value				6,177,104				5,023,965
<b>Assets for which fair values are disclosed (Note 47 (b)):</b>								
Loans, financing and advances	-	-	16,068,693	16,068,693	-	-	15,728,966	15,728,966
<b>Liabilities for which fair values are disclosed (Note 47 (b)):</b>								
Redeemable notes/Sukuk	-	-	8,658,191	8,658,191	-	-	7,456,888	7,456,888
Borrowings	-	-	524,214	524,214	-	-	2,297,329	2,297,329

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 47. FAIR VALUES MEASUREMENTS (CONT'D.)

## (a) Financial assets and liabilities measured at fair value (cont'd.)

## Determination of fair value and the fair value hierarchy (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities. (cont'd.)

Bank	2020				2019			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets measured at fair value:</b>								
Financial investments at FVTPL	-	45,566	-	45,566	-	-	-	-
Financial investments at FVOCI	109,672	6,021,866	-	6,131,538	101,170	4,917,850	-	5,019,020
Total financial assets carried at fair value				6,177,104				5,019,020
<b>Assets for which fair values are disclosed (Note 47 (b)):</b>								
Loans, financing and advances	-	-	15,836,537	15,836,537	-	-	15,537,083	15,537,083
<b>Liabilities for which fair values are disclosed (Note 47 (b)):</b>								
Redeemable notes/Sukuk	-	-	8,658,191	8,658,191	-	-	7,456,888	7,456,888
Borrowings	-	-	524,214	524,214	-	-	2,297,329	2,297,329

There have been no transfer between Level 1 and Level 2 during the financial year. The fair value of loans, financing and advances that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.37% to 6.05% (2019: 3.62% to 6.39%) whilst the fair value of redeemable notes/sukuk and term loans that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.81% to 6.30% (2019: 3.15% to 7.50%).

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 47. FAIR VALUES MEASUREMENTS (CONT'D.)

## (b) Financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts and the estimated fair values of those financial assets not presented on the Group's statements of financial position at their fair value.

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>2020</b>				
<b>Financial assets</b>				
Loans, financing and advances	15,584,069	16,068,693	15,394,417	15,836,537
<b>Financial liabilities</b>				
Redeemable notes/Sukuk	8,249,316	8,658,191	8,249,316	8,658,191
Borrowings	508,466	524,214	508,466	524,214
<b>2019</b>				
<b>Financial assets</b>				
Loans, financing and advances	15,701,772	15,728,966	15,545,685	15,537,083
<b>Financial liabilities</b>				
Redeemable notes/Sukuk	7,293,172	7,456,888	7,293,172	7,456,888
Borrowings	2,175,728	2,297,329	2,175,728	2,297,329

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

## (i) Financial investments - Amortised Cost

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earning multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 47. FAIR VALUES MEASUREMENTS (CONT'D.)

## (b) Financial assets and liabilities not carried at fair value (cont'd.)

## (ii) Loans, financing and advances

Loans, financing and advances to borrowers/customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and the Bank could realise in a sale transaction at the reporting date.

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

## (iii) Deposits from customers, deposits and placements from financial institutions, and bills and acceptance payable

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits 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.

## (iv) Subordinated obligations and borrowings

The fair values of capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest/profit rates for securities as at reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS

The state of affairs as at 31 December 2020 and results for the financial year ended on this date under the Islamic financial business of the Group and the Bank included in the Group financial statements are summarised as follows:

## Statements of Financial Position

## As at 31 December 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Assets</b>					
Cash and short term deposits	(a)	820,525	1,384,176	740,292	1,351,797
Deposits and placements with financial institutions	(b)	-	150,681	-	150,681
Financial investments at FVTPL	(c)	45,566	-	45,566	-
Financial investments at FVOCI	(d)	2,515,982	2,006,990	2,515,982	2,006,990
Financing and advances	(e)	11,454,582	11,254,745	11,342,828	11,222,492
Other assets	(f)	1,863,432	2,751	1,863,156	2,462
Property, plant and equipment		84,180	-	84,180	-
Investment properties		330	-	330	-
Intangible asset		6,045	-	6,045	-
Right-of-use asset		301	-	301	-
Deferred tax asset		110,571	-	110,461	-
<b>Total assets</b>		<b>16,901,514</b>	<b>14,799,343</b>	<b>16,709,141</b>	<b>14,734,422</b>
<b>Liabilities</b>					
Deposits from customers	(g)	5,346,836	4,852,186	5,346,836	4,852,186
Deposits from financial institutions	(h)	80,092	501,519	80,092	501,519
Other liabilities	(i)	132,481	233,786	48,451	207,245
Sukuk	(j)	7,082,700	6,076,247	7,082,700	6,076,247
Infrastructure support fund		303,974	-	303,974	-
Deferred income		201,800	212,255	201,800	212,255
Lease liabilities		313	-	313	-
Deferred tax liabilities		171	-	-	-
<b>Total liabilities</b>		<b>13,148,367</b>	<b>11,875,993</b>	<b>13,064,166</b>	<b>11,849,452</b>
<b>Equity</b>					
Capital funds		2,722,657	1,717,418	2,722,657	1,717,418
Reserves	(k)	1,030,490	1,205,932	922,318	1,167,552
<b>Total equity</b>		<b>3,753,147</b>	<b>2,923,350</b>	<b>3,644,975</b>	<b>2,884,970</b>
<b>Total liabilities and equity</b>		<b>16,901,514</b>	<b>14,799,343</b>	<b>16,709,141</b>	<b>14,734,422</b>
<b>Commitments and contingencies</b>	(t)	<b>6,493,715</b>	<b>6,769,669</b>	<b>6,493,715</b>	<b>6,769,669</b>

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## Statements of Profit or Loss

For the Financial Year Ended 31 December 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income derived from investment of depositors' funds	(l)	203,557	218,930	203,557	218,930
Income derived from investment of shareholders' funds	(m)	782,760	564,810	775,521	561,044
Allowance for impairment losses on financing and advances	(n)	(655,280)	(93,857)	(644,968)	(93,119)
Allowance for impairment losses on other assets	(o)	(9,526)	(55,902)	(9,526)	(55,902)
<b>Total distributable income</b>		321,511	633,981	324,584	630,953
Income attributable to the depositors	(p)	(145,962)	(195,139)	(145,962)	(195,139)
<b>Total net income</b>		175,549	438,842	178,622	435,814
Overhead expenses	(q)	(59,563)	(57,842)	(57,551)	(58,587)
Finance cost	(r)	(284,260)	(277,184)	(284,260)	(277,184)
<b>(Loss)/profit before taxation and zakat</b>		(168,274)	103,816	(163,189)	100,043
Tax credit		38,853	-	38,057	-
Zakat	(s)	(9,688)	(24,296)	(8,769)	(21,126)
<b>(Loss)/profit for the year</b>		(139,109)	79,520	(133,901)	78,917

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## Statements of Comprehensive Income

For the Financial Year Ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>(Loss)/profit for the year</b>	(139,109)	79,520	(133,901)	78,917
<b>Other comprehensive income</b>				
Items that will not be reclassified to profit or loss:				
Net change in revaluation of equity instruments at fair value through other comprehensive income	(25,235)	-	(25,235)	-
Items that may be reclassified to profit or loss:				
Debt instruments at fair value through other comprehensive income:				
- Net change in fair value during the year	74,584	75,060	74,584	75,060
- Changes in allowance for expected credit losses	9,432	55,914	9,432	55,914
	58,781	130,974	58,781	130,974
Income tax effect (Note 48(k)(ii))	(17,900)	-	(17,900)	-
	(17,900)	-	(17,900)	-
<b>Other comprehensive income for the year, net of tax</b>	40,881	130,974	40,881	130,974
<b>Total comprehensive (loss)/income for the year</b>	(98,228)	210,494	(93,020)	209,891
<b>Total comprehensive (loss)/income attributable to:</b>				
Shareholders of the Bank	(98,228)	210,494	(93,020)	209,891
	(98,228)	210,494	(93,020)	209,891
<b>Net income from Islamic financial business:</b>				
Income derived from investment of depositors' funds	203,557	218,930	203,557	218,930
Income derived from investment of shareholders' funds	782,760	564,810	775,521	561,044
Income attributable to the depositors	(145,962)	(195,139)	(145,962)	(195,139)
Finance cost	(284,260)	(277,184)	(284,260)	(277,184)
Net income from Islamic financial business reported in the statements of profit or loss	556,095	311,417	548,856	307,651

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Consolidated Statement of Changes in Equity  
For the Financial Year Ended 31 December 2020

	Capital funds RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
<b>Group</b>					
<b>At 1 January 2020</b>	1,717,418	443,483	154,415	608,034	2,923,350
Loss for the year	-	-	-	(139,109)	(139,109)
Other comprehensive income/(loss) for the year	-	-	40,881	-	40,881
Total comprehensive income/(loss) for the year	-	-	40,881	(139,109)	(98,228)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	179	(179)	-
Capital re-allocation	1,005,239	-	-	75,000	1,080,239
Dividend paid	-	-	-	(152,214)	(152,214)
<b>At 31 December 2020</b>	2,722,657	443,483	195,475	391,532	3,753,147
<b>At 1 January 2019</b>	1,597,400	-	23,441	92,015	1,712,856
Profit for the year	-	-	-	79,520	79,520
Other comprehensive income for the year	-	-	130,974	-	130,974
Total comprehensive income for the year	-	-	130,974	79,520	210,494
Transfer to statutory reserve	-	19,729	-	(19,729)	-
Capital re-allocation	120,018	423,754	-	456,228	1,000,000
<b>At 31 December 2019</b>	1,717,418	443,483	154,415	608,034	2,923,350
<b>Bank</b>					
<b>At 1 January 2020</b>	1,717,418	443,483	154,415	569,654	2,884,970
Loss for the year	-	-	-	(133,901)	(133,901)
Other comprehensive income/(loss) for the year	-	-	40,881	-	40,881
Total comprehensive income/(loss) for the year	-	-	40,881	(133,901)	(93,020)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	179	(179)	-
Capital re-allocation	1,005,239	-	-	-	1,005,239
Dividend paid	-	-	-	(152,214)	(152,214)
<b>At 31 December 2020</b>	2,722,657	443,483	195,475	283,360	3,644,975
<b>At 1 January 2019</b>	1,597,400	-	23,441	54,238	1,675,079
Profit for the year	-	-	-	78,917	78,917
Other comprehensive income for the year	-	-	130,974	-	130,974
Total comprehensive income for the year	-	-	130,974	78,917	209,891
Transfer to statutory reserve	-	19,729	-	(19,729)	-
Capital re-allocation	120,018	423,754	-	456,228	1,000,000
<b>At 31 December 2019</b>	1,717,418	443,483	154,415	569,654	2,884,970

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Statements of Cash Flows  
For the Financial Year Ended 31 December 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from operating activities</b>				
(Loss)/profit before zakat	(168,274)	103,816	(163,189)	100,043
Adjustments for:				
Net gain on sale of financial investments at FVOCI (Note 48(m))	(8,242)	(18,882)	(8,242)	(18,882)
Accretion of discount less amortisation of premium of financial investments (Note 48(m))	(2,986)	(16,041)	(2,986)	(16,041)
Allowance for impairment losses on financing and advances, net (Note 48(n))	668,581	93,481	660,355	92,409
Loss/(gain) due to financing modification (Note 48(l) and Note 48(m))	62	(5,546)	62	(5,546)
Impairment allowance for:				
Financial investments at FVOCI (Note 48(o))	9,432	55,914	9,432	55,914
Impaired financing written off (Note 48(n))	2,459	809	50	787
Allowance for ex-staff financing (Note 48(o))	94	(12)	94	(12)
Unrealised gain on FVTPL (Note 48(m))	(4,999)	-	(4,999)	-
Compensation from the Government (Note 48(m))	(33,069)	(17,894)	(33,069)	(17,894)
Operating cash flows before working capital changes	463,058	195,645	457,508	190,778
(Increase)/decrease in operating assets:				
Other assets	(2,564,623)	274,867	(2,563,280)	274,276
Deposits and placements with financial institutions	150,681	(150,681)	150,681	(150,681)
Financing and advances	(879,451)	(1,484,703)	(788,591)	(1,481,676)
	(3,293,393)	(1,360,517)	(3,201,190)	(1,358,081)
(Decrease)/increase in operating liabilities:				
Other liabilities	836,991	(214,604)	777,484	(211,109)
Deposits from customers	494,650	(507,438)	494,650	(507,438)
Deposits and placements from financial institutions	(421,427)	401,165	(421,427)	401,165
	910,214	(320,877)	850,707	(317,382)
Cash used in operating activities	(1,920,121)	(1,485,749)	(1,892,975)	(1,484,685)
Zakat paid	(30,386)	(17,282)	(30,386)	(17,282)
Net cash used in operating activities	(1,950,507)	(1,503,031)	(1,923,361)	(1,501,967)

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## Statements of Cash Flows

For the Financial Year Ended 31 December 2020 (cont'd.)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Cash flows from investing activities</b>				
Purchase of financial investments at FVOCI	(986,675)	(681,904)	(986,675)	(681,904)
Proceeds from disposal/maturity of financial investments at FVOCI	445,506	1,701,949	445,506	1,701,949
Net cash (used in)/generated from investing activities	(541,169)	1,020,045	(541,169)	1,020,045
<b>Cash flows from financing activities</b>				
Proceeds from Sukuk issuance	1,000,000	-	1,000,000	-
Capital re-allocation	1,080,239	576,246	1,005,239	576,246
Statutory reserve re-allocation	-	423,754	-	423,754
Dividends paid	(152,214)	-	(152,214)	-
Net cash generated from financing activities	1,928,025	1,000,000	1,853,025	1,000,000
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(563,651)</b>	<b>517,014</b>	<b>(611,505)</b>	<b>518,078</b>
<b>Cash and cash equivalents at beginning of financial year</b>	<b>1,384,176</b>	<b>867,162</b>	<b>1,351,797</b>	<b>833,719</b>
<b>Cash and cash equivalents at end of financial year</b>	<b>820,525</b>	<b>1,384,176</b>	<b>740,292</b>	<b>1,351,797</b>

## Cash and cash equivalents comprise:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and short term deposits (Note (a))	820,525	1,384,176	740,292	1,351,797

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (a) Cash and Short Term Deposits

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and bank balances with financial institutions	2,701	3,502	1,508	1,749
Money at call and deposit placements maturing within one month	817,824	1,380,674	738,784	1,350,048
	820,525	1,384,176	740,292	1,351,797

## (b) Deposits and placements with financial institutions

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks	-	150,681	-	150,681

## (c) Financial Investments at FVTPL

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At fair value</b>				
<b>Equity Securities:</b>				
Unquoted shares	45,566	-	45,566	-
<b>Total financial investments at FVTPL</b>	<b>45,566</b>	<b>-</b>	<b>45,566</b>	<b>-</b>

Included in the financial investments at FVTPL is a private debt securities with a cost of RM405,364,712 and a fair value of RM nil.

## (d) Financial Investments at FVOCI

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>At fair value</b>				
<b>Debt Instruments:</b>				
Money market instruments:				
Government investment issues	511,056	532,047	511,056	532,047
Cagamas	25,033	-	25,033	-
	536,089	532,047	536,089	532,047
Unquoted securities:				
Sukuk	1,870,221	1,474,943	1,870,221	1,474,943
	1,870,221	1,474,943	1,870,221	1,474,943
<b>Equity Securities:</b>				
Quoted shares	109,672	-	109,672	-
	109,672	-	109,672	-
<b>Total financial investments at FVOCI</b>	<b>2,515,982</b>	<b>2,006,990</b>	<b>2,515,982</b>	<b>2,006,990</b>



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## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (d) Financial Investments at FVOCI (cont'd.)

Movements in allowances for impairment which reflect the ECL allowance are as follows:

Group and Bank	Lifetime ECL			Total RM'000
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
<b>2020</b>				
At 1 January	896	55,304	-	56,200
Net (write back)/allowance made	(372)	9,804	-	9,432
New financial investments purchased	2	-	-	2
Net (write back)/allowance made	(374)	9,804	-	9,430
At 31 December	524	65,108	-	65,632

Group and Bank	Lifetime ECL			Total RM'000
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
<b>2019</b>				
At 1 January	286	-	-	286
Net allowance made	610	55,304	-	55,914
New financial investments purchased	34	20,922	-	20,956
Net allowance made	576	34,382	-	34,958
At 31 December	896	55,304	-	56,200

## (e) Financing and Advances

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bai' Bithaman Ajil	45,017	91,999	43,887	89,053
Murabahah	8,315	8,315	8,315	8,315
Istisna'	2,119,177	3,884,854	2,119,177	3,884,854
Ijarah Muntahiyah bi Tamlik	65,062	52,079	1,221	20,694
Tawarruq	17,360,074	14,969,098	17,338,037	14,964,129
Staff financing	6,870	7,884	6,870	7,884
Factoring-i	30,059	-	-	-
Hire purchase-i	7,841	-	-	-
Unearned income	(6,304,454)	(6,542,567)	(6,304,454)	(6,542,567)
Gross financing and advances	13,337,961	12,471,662	13,213,053	12,432,362
Allowance for impairment on financing and advances:				
- Stage 1: 12-Month ECL	(832,593)	(595,108)	(831,445)	(593,149)
- Stage 2: Lifetime ECL not credit impaired	(597,578)	(197,685)	(596,186)	(197,686)
- Stage 3: Lifetime ECL credit impaired	(453,208)	(424,124)	(442,594)	(419,035)
	(1,883,379)	(1,216,917)	(1,870,225)	(1,209,870)
Net financing and advances	11,454,582	11,254,745	11,342,828	11,222,492

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (e) Financing and Advances (cont'd.)

(i) Financing and advances analysed by type of customers are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Domestic business enterprises	13,333,895	12,464,185	13,208,987	12,427,831
Individual	4,066	7,477	4,066	4,531
	13,337,961	12,471,662	13,213,053	12,432,362

(ii) Financing and advances analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed rate:				
Housing financing	4,066	7,477	4,066	4,531
Other fixed rate financing	7,512,737	8,021,671	7,387,829	8,021,671
Variable rate:				
Cost plus	3,379,332	2,331,127	3,379,332	2,294,773
Other variable rates	2,441,826	2,111,387	2,441,826	2,111,387
	13,337,961	12,471,662	13,213,053	12,432,362

(iii) Financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Within Malaysia	13,337,961	12,471,662	13,213,053	12,432,362

(iv) Financing and advances analysed by industry are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Agriculture, hunting & forestry	11	11	-	-
Construction	6,832,105	5,862,923	6,832,105	5,862,923
Education	1,627,075	1,761,496	1,627,075	1,761,496
Electricity, gas and water supply	145,938	133,331	145,938	133,331
Finance, takaful and business	90,550	31,873	-	-
Hotel and restaurants	424,079	314,796	394,020	314,796
Housing	4,066	7,477	4,066	4,531
Manufacturing	255,874	238,365	255,857	238,141
Marine related	325,627	181,999	325,627	181,999
Other community, social and personal service activities	56,246	56,021	54,133	56,018
Public administration and defence	8,281	16,156	8,281	16,156
Shipping	622,270	517,304	622,270	517,304
Shipyard	130,339	130,339	130,339	130,339
Transport, storage and communication	2,815,500	3,219,571	2,813,342	3,215,328
	13,337,961	12,471,662	13,213,053	12,432,362

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (e) Financing and Advances (cont'd.)

(v) The maturity structure of financing and advances are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Receivable after 12 months	12,138,459	11,369,576	12,063,936	11,330,276
Receivable within 12 months	1,199,502	1,102,086	1,149,117	1,102,086
	13,337,961	12,471,662	13,213,053	12,432,362

(vi) Movements in gross loans, financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
<b>2020</b>				
At 1 January	11,033,674	725,821	712,167	12,471,662
- Transfer to 12-month ECL (Stage 1)	425,766	(425,766)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,099,502)	1,099,502	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(7,824)	-	7,824	-
Remeasurement, net	167,473	70,287	41,708	279,468
New accounts	603,078	-	-	603,078
Matured accounts	(4,069)	(10,039)	(20)	(14,128)
Written-off	-	-	(2,119)	(2,119)
At 31 December	11,118,596	1,459,805	759,560	13,337,961
<b>2019</b>				
At 1 January	9,445,069	737,569	798,902	10,981,540
- Transfer to 12-month ECL (Stage 1)	218	-	(218)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(201,755)	253,584	(51,829)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(33,846)	33,846	-
Remeasurement, net	915,798	(93,838)	(59,329)	762,631
New accounts	879,315	-	-	879,315
Matured accounts	(4,971)	(137,648)	(721)	(143,340)
Written-off	-	-	(8,484)	(8,484)
At 31 December	11,033,674	725,821	712,167	12,471,662

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (e) Financing and Advances (cont'd.)

(vi) Movements in gross loans, financing and advances are as follows (cont'd.):

Bank	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
<b>2020</b>				
At 1 January	10,999,451	725,821	707,090	12,432,362
- Transfer to 12-month ECL (Stage 1)	425,766	(425,766)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,093,233)	1,093,233	-	-
Remeasurement, net	189,513	70,205	41,874	301,592
New accounts	489,138	-	-	489,138
Matured accounts	-	(10,039)	-	(10,039)
At 31 December	11,010,635	1,453,454	748,964	13,213,053
<b>2019</b>				
At 1 January	9,416,470	737,120	791,580	10,945,170
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(201,755)	253,584	(51,829)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(33,846)	33,846	-
Remeasurement, net	924,230	(93,389)	(58,023)	772,818
New accounts	863,840	-	-	863,840
Matured accounts	(3,334)	(137,648)	-	(140,982)
Written-off	-	-	(8,484)	(8,484)
At 31 December	10,999,451	725,821	707,090	12,432,362

(vii) Impaired financing and advances analysed by industry are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Construction	81,686	84,256	81,654	84,256
Education	33,228	39,979	33,228	39,979
Electricity, gas and water supply	22,224	21,752	22,224	21,752
Hotel and restaurants	122,682	113,564	114,333	113,085
Manufacturing	17,238	17,256	17,238	17,236
Shipping	348,462	275,851	348,462	275,851
Other community, social and personal service activities	1,610	2,948	-	-
Transport, storage and communication	132,430	156,561	131,825	154,931
	759,560	712,167	748,964	707,090
Gross impaired financing and advances as a % of gross financing and advances	5.69%	5.71%	5.67%	5.69%

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (e) Financing and Advances (cont'd.)

(viii) Movements in the allowance for impairment of financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
<b>2020</b>				
At 1 January	595,108	197,685	424,124	1,216,917
- Transfer to 12-Month ECL (Stage 1)	63,881	(63,881)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(131,281)	131,281	-	-
Allowance made, net	304,885	332,493	31,203	668,581
Amount written off	-	-	(2,119)	(2,119)
At 31 December	832,593	597,578	453,208	1,883,379
<b>2019</b>				
At 1 January	522,081	154,315	456,472	1,132,868
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(46,227)	81,174	(34,947)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(14,236)	14,236	-
Allowance/(written back) made, net	119,254	(23,568)	(2,205)	93,481
Amount written off	-	-	(9,432)	(9,432)
At 31 December	595,108	197,685	424,124	1,216,917
<b>Bank</b>				
Bank	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
<b>2020</b>				
At 1 January	593,149	197,686	419,035	1,209,870
- Transfer to 12-Month ECL (Stage 1)	63,881	(63,881)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(130,517)	130,517	-	-
Allowance made, net	304,932	331,864	23,559	660,355
At 31 December	831,445	596,186	442,594	1,870,225
<b>2019</b>				
At 1 January	521,902	154,298	450,693	1,126,893
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(46,227)	81,174	(34,947)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(14,236)	14,236	-
Allowance/(written back) made, net	117,474	(23,550)	(1,515)	92,409
Amount written off	-	-	(9,432)	(9,432)
At 31 December	593,149	197,686	419,035	1,209,870

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (f) Other Assets

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sundry receivables, deposits and prepayments	8,899	3,249	8,623	2,960
Amount receivable from Government in respect of compensation for:				
Infrastructure projects	146,937	-	146,937	-
Foreign exchange differences	85,361	-	85,361	-
Interfund receivables	1,622,826	-	1,622,826	-
	1,864,023	3,249	1,863,747	2,960
Allowance for impairment on ex-staff financing:				
- Stage 1: 12-Month ECL	(1)	-	(1)	-
- Stage 3: Lifetime ECL credit impaired	(590)	(498)	(590)	(498)
	1,863,432	2,751	1,863,156	2,462

## (g) Deposits from Customers

	Group and Bank	
	2020 RM'000	2019 RM'000
<b>At amortised cost</b>		
Fixed deposits and negotiable instruments of deposits	5,346,836	4,852,186
(a) The deposits are sourced from the following types of customers:		
Business enterprises	1,462,647	880,874
Government and statutory bodies	3,884,189	3,971,312
	5,346,836	4,852,186
(b) The deposits maturity structure are as follows:		
Less than six months	4,872,156	4,253,976
Six months to one year	131,416	254,946
Three years to five years	161,300	272,454
Over five years	181,964	70,810
	5,346,836	4,852,186

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (h) Deposits and Placements from Financial Institutions

	Group and Bank	
	2020 RM'000	2019 RM'000
<b>At amortised cost</b>		
Licensed banks	80,092	501,519
(a) The deposits maturity structure are as follows:		
Less than six months	80,092	501,519

## (i) Other Liabilities

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables		30,425	7,346	22,653	6,382
Zakat payables		10,742	24,520	9,823	21,350
Kafalah received in advance		16,883	19,854	15,975	19,854
Shariah non-compliant income	(i)	-	27	-	27
Interfund payables	(ii)	74,431	182,039	-	159,632
		132,481	233,786	48,451	207,245

## (i) Shariah non-compliant income

	No. of events	2020 RM'000	No. of events	2019 RM'000
SNC income derecognised from the Bank's income due to placement of Islamic fund in Conventional Instrument	-	-	2	27
	-	-	2	27

The Bank has taken necessary corrective as well as preventive measures to avoid the same incidences from recurrence where the rectification plan had been endorsed by the Shariah Committee.

During the financial year 2020, there was no incident of Shariah non-compliance event.

Group and Bank	Shariah Non-Compliance Income RM'000	Total RM'000
Undistributed funds as at 31 December 2019/1 January 2020	27	27
Distributed during the year	(27)	(27)
Undistributed funds as at 31 December 2020	-	-

## (ii) Interfund payables are unsecured, profit free and are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (j) Sukuk

	Note	Group and Bank	
		2020 RM'000	2019 RM'000
<b>Non-guaranteed</b>			
Sukuk Murabahah	(i)	4,041,259	3,034,278
		4,041,259	3,034,278
<b>Guaranteed</b>			
Sukuk Murabahah	(ii)	3,041,441	3,041,969
		3,041,441	3,041,969
		7,082,700	6,076,247

(i) These sukuk carry profit rates ranging between 2.80% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2027, 2032, October 2025, 2027, 2030 and November 2026, 2031 and 2035.

(ii) These sukuk carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These sukuk will mature in September 2021, 2024, 2029 and 2034 respectively.

The movements in the sukuk are as follows:

	Group and Bank	
	2020 RM'000	2019 RM'000
<b>Non-guaranteed</b>		
Sukuk Murabahah		
Principal		
At 1 January	3,000,000	3,000,000
Issued during the year	1,000,000	-
At 31 December	4,000,000	3,000,000
Accrued profit payable		
At 1 January	34,278	34,656
Charge for the year	147,146	139,787
Payment during the year	(140,165)	(140,165)
At 31 December	41,259	34,278
	4,041,259	3,034,278
<b>Guaranteed notes</b>		
Sukuk Murabahah		
Principal		
At 1 January/31 December	3,000,000	3,000,000
Accrued profit payable		
At 1 January	41,969	42,202
Charge for the year	137,101	137,397
Payment during the year	(137,629)	(137,630)
At 31 December	41,441	41,969
	3,041,441	3,041,969

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (k) Reserves

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Non-distributable:</b>					
Statutory reserve	(i)	443,483	443,483	443,483	443,483
Unrealised FVOCI reserve	(ii)	195,475	154,415	195,475	154,415
		638,958	597,898	638,958	597,898
<b>Distributable:</b>					
Retained profits		391,532	608,034	283,360	569,654
		1,030,490	1,205,932	922,318	1,167,552

(i) The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.

(ii) Unrealised FVOCI reserve represents the cumulative fair value changes and allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired.

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	154,415	23,441	154,415	23,441
Unrealised gain on fair value changes	49,349	75,060	49,349	75,060
Changes in allowance for expected credit loss	9,432	55,914	9,432	55,914
Transfer from retained profits on the disposal of equity instruments at FVOCI	179	-	179	-
Transfer to deferred tax	(17,900)	-	(17,900)	-
At 31 December	195,475	154,415	195,475	154,415

## (l) Income Derived from Investment of Depositors' Funds

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Finance Income</b>				
Financing and advances	191,988	203,530	191,988	203,530
(Loss)/gain on financing modification #	(75)	1,682	(75)	1,682
Other income:				
Fee income	10,950	13,460	10,950	13,460
Ta'widh	694	258	694	258
	203,557	218,930	203,557	218,930
Of which:				
Finance income earned on impaired financing and advances	6,385	4,203	6,473	4,220

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (m) Income Derived from Investment of Shareholders' Funds

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
<b>Finance Income</b>				
Financing and advances	465,252	359,130	460,142	356,534
Gain on financing modification #	13	3,864	13	3,864
Compensation from the Government	33,069	17,894	33,069	17,894
Deposits and placements with financial institution	14,605	42,343	14,275	41,349
Financial investments at FVOCI	86,068	81,555	86,068	81,555
	599,007	504,786	593,567	501,196
Accretion of discount less amortisation of premium	2,986	16,041	2,986	16,041
	601,993	520,827	596,553	517,237

# This relates to Rescheduled and Restructured ("R&R") financing provided prior to 1 January 2020.

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other income:				
Net gain arising on financial investment at FVTPL:				
- unrealised revaluation gain	4,999	-	4,999	-
Net gain arising on financial investment at FVOCI:				
- net gain on disposal	8,242	18,882	8,242	18,882
Stage 1 allowance made during the year against ISF	58,562	-	58,562	-
Stage 2 allowance made during the year against ISF	79,158	-	79,158	-
Rental income				
- Subsidiaries	-	-	95	-
- Others	155	-	155	-
Fee income	28,034	24,615	26,140	24,439
Ta'widh	1,612	486	1,612	486
Others fee	5	-	5	-
	782,760	564,810	775,521	561,044

Of which:

Finance income earned on impaired financing and advances	15,632	7,417	15,545	7,392
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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (n) Allowances for Impairment Losses of Financing and Advances

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Stage 1- 12-month ECL, net	237,694	73,027	238,505	71,247
Stage 2 - Lifetime ECL not credit impaired, net	399,893	43,370	398,500	43,388
Stage 3 - Lifetime ECL credit impaired, net	31,203	(22,916)	23,559	(22,226)
Staff financing:				
Stage 1 - 12-month ECL, net	(209)	-	(209)	-
Impaired financing:				
Written off	2,459	809	50	787
Recovered	(15,760)	(433)	(15,437)	(77)
	655,280	93,857	644,968	93,119

## (o) Allowance for Impairment Losses on Other Assets

	Group and Bank	
	2020 RM'000	2019 RM'000
Financial investments at FVOCI	9,432	55,914
Allowance for ex-staff financing:		
Stage 1 - 12-month ECL, net	1	-
Stage 3 - Lifetime ECL credit impaired, net	93	(12)
	9,526	55,902

## (p) Income Attributable to the Depositors

	Group and Bank	
	2020 RM'000	2019 RM'000
Deposits from customers	130,154	190,797
Deposits and placements from financial institutions	15,808	4,342
	145,962	195,139

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (q) Overhead Expenses

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personnel costs	(i)	36,887	40,263	35,412	39,615
Establishment related expenses	(ii)	4,950	4,326	4,740	4,244
Promotion and marketing expenses	(iii)	2,706	1,888	2,706	1,887
General administrative expenses	(iv)	15,020	11,365	14,799	12,841
		59,563	57,842	57,657	58,587
Overhead expenses charged to subsidiaries via SLA		-	-	(106)	-
		59,563	57,842	57,551	58,587
<b>(i) Personnel costs</b>					
Salaries, allowances and bonuses		25,201	31,648	24,034	31,129
Social security cost		292	214	279	207
Pension costs - Defined contribution plan		5,699	4,190	5,494	4,098
Other staff related expenses		4,857	4,211	4,767	4,181
Non-executive Directors' fees and remuneration		838	-	838	-
		36,887	40,263	35,412	39,615
<b>(ii) Establishment related expenses</b>					
Repairs and maintenance of property, plant and equipment		1,315	918	1,313	918
Information technology expenses		3,635	3,408	3,427	3,326
		4,950	4,326	4,740	4,244
<b>(iii) Promotion and marketing expenses</b>					
Advertisement and publicity		2,706	1,888	2,706	1,887
<b>(iv) General administrative expenses</b>					
General administrative expenses		15,020	11,365	14,799	12,841

The above overhead expenses have been determined after charging amongst other items the following:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Shariah Committee's remuneration	348	224	348	224

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (r) Finance Cost

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sukuk	284,248	277,184	284,248	277,184
Lease	12	-	12	-
	284,260	277,184	284,260	277,184

## (s) Zakat

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Zakat	9,688	24,296	8,769	21,126

Zakat represents business zakat payable by the Bank to comply with the principles of Shariah and as endorsed by the Shariah Committee. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. The zakat on business for the financial year has been computed using the capital growth computation method at the rate of 2.5775% (2019: 2.5775%).

The zakat amount is paid to the states' zakat management agencies and eligible beneficiaries (*asnaf*) in Malaysia. The proposals of distribution of zakat fund by the Bank to eligible beneficiaries (*asnaf*) were approved by the Shariah Committee.

## (t) Commitments and Contingencies

	Group and Bank	
	2020 RM'000	2019 RM'000
Contingencies as at the financial year end constitute the following:		
Disbursement of financing and advances to industries	4,213,219	4,505,183
Secured guarantees on behalf of customers given to third parties	2,280,496	2,264,486
	6,493,715	6,769,669

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 48. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

## (u) Capital Adequacy

## Capital management

## Regulatory capital

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	Bank	
	2020 RM'000	2019 RM'000
<b>Tier 1 capital</b>		
Capital funds	2,722,657	1,717,418
Other reserves	922,318	1,167,552
Less: Deferred tax asset	(110,461)	-
Total Tier 1 capital	3,534,514	2,884,970
<b>Tier 2 capital</b>		
Government support funds	505,774	212,255
Stage 1 and Stage 2 expected credit loss allowances	1,427,631	790,835
Total Tier 2 capital	1,933,405	1,003,090
Total capital base	5,467,919	3,888,060

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

	Bank	
	2020 RM'000	2019 RM'000
20%	158,948	305,054
50%	1,168,734	1,235,447
100%	15,946,126	14,944,801
	17,273,808	16,485,302

Without deducting proposed dividend:

	Bank	
	2020 %	2019 %
Core capital ratio	20.462	17.500
RWCR	31.654	23.585

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 49. GOVERNMENT FUNDS

As a development financial institution, the Bank perform its mandated roles to promote strategic sectors identified by the Government of Malaysia as follows:

## (a) Tourism Infrastructure Fund

The objective of the tourism infrastructure fund is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

## (b) Tourism Infrastructure Development Fund

The objective of the tourism infrastructure development fund is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

## (c) Maritime Fund

The objective of the maritime fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

## (d) Maritime Development Fund

The objective of the maritime development fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

## (e) Public Transport Fund

The objective of the public transport fund is to increase the utilisation of public transport by funding the improvements and growth of public transport coverage and services.

## (f) Industry Digitalisation Transformation Fund

The objective of the industry digitalisation transformation fund is to accelerate the industry adoption of Industry 4.0 related technologies, fund the transformation of Malaysia's industrial capabilities and support the adoption of digital transformation.

## (g) Sustainable Development Financing Fund

The objective of the sustainable development financing fund is to support Government's efforts to implement the 17 Sustainable Development Goals (SDGs) under the United Nation's Development Programme 2030 agenda for sustainable development.

## (h) Tourism Infrastructure Fund 2.0

The objective of the tourism infrastructure fund 2.0 is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

## (i) Maritime and Logistics Fund

The objective of the maritime and logistics fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services. Maritime and logistics fund was formerly known as maritime fund 2.0.

## (j) Public Transport Fund 2.0

The objective of the public transport fund 2.0 is to increase the utilisation of public transport by funding the improvements and growth of public transport coverage and services.

For all the above funds, the Group and the Bank act as a financier that bear the credit risk and recognise its credit losses in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 49. GOVERNMENT FUNDS (CONT'D.)

## 49.1 Performance of the fund

Group	2020					Subtotal 1 RM'000
	Tourism Infrastructure fund 2.0 RM'000	Maritime and Logistics fund* RM'000	Public Transport fund 2.0 RM'000	Industry Digitalisation Transformation fund* RM'000	Sustainable Development Financing fund* RM'000	
Allocated funds	1,000,000	1,500,000	500,000	2,000,000	2,000,000	7,000,000
Net approved	(424,272)	(279,856)	(38,752)	(606,348)	(376,000)	(1,725,228)
Fund available	575,728	1,220,144	461,248	1,393,652	1,624,000	5,274,772
Loans, financing and advances:						
Disbursement	19,296	119,260	974	225,704	134,468	499,702
Repayment	-	(15,588)	-	-	-	(15,588)
Outstanding	19,296	103,672	974	225,704	134,468	484,114
Number of beneficiaries	2	3	1	2	3	11
Expiry	Dec 20	Dec 21	Dec 20	Dec 21	Dec 21	

\* Fund was created on 1 January 2019 and the expiry dates for Maritime and Logistics, Industry Digitalisation Transformation and Sustainable Development Financing funds were extended to December 2021. The allocated funds for Industry Digitalisation Transformation fund was reduced to RM2.0 billion and allocated funds for Sustainable Development fund was increased to RM2.0 billion effective October 2020.

Group	2020					Subtotal 2 RM'000
	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	1,000,000	12,894,258
Net approved	(1,849,114)	(1,168,199)	(2,983,696)	(741,272)	(326,043)	(7,068,324)
Fund available	550,886	831,801	1,510,562	2,258,728	673,957	5,825,934
Loans, financing and advances:						
Disbursement	1,847,359	885,911	2,983,696	587,299	325,962	6,630,227
Repayment	(997,426)	(189,794)	(1,718,127)	(64,257)	(306,590)	(3,276,194)
Outstanding	849,933	696,117	1,265,569	523,042	19,372	3,354,033
Number of beneficiaries	57	14	41	7	107	226
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	



## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 49. GOVERNMENT FUNDS (CONT'D.)

## 49.1 Performance of the fund (cont'd.)

Group	2019					
	Tourism Infrastructure fund 2.0* RM'000	Maritime fund* RM'000	Public Transport fund 2.0* RM'000	Industry Digitalisation Transformation fund* RM'000	Sustainable Development Financing fund* RM'000	Subtotal 1 RM'000
Allocated funds	1,000,000	1,500,000	500,000	3,000,000	1,000,000	7,000,000
Net approved	(324,272)	(212,473)	(10,552)	(224,048)	(418,603)	(1,189,948)
Fund available	675,728	1,287,527	489,448	2,775,952	581,397	5,810,052
Loans, financing and advances:						
Disbursement	11,370	22,230	-	177,948	-	211,548
Repayment	-	-	-	(8,953)	-	(8,953)
Outstanding	11,370	22,230	-	168,995	-	202,595
Number of beneficiaries	1	1	-	1	-	3
Expiry	Dec 20	Dec 20	Dec 20	Dec 20	Dec 20	

\* Fund was created on 1 January 2019.

Group	2019					
	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Subtotal 2 RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	1,000,000	12,894,258
Net approved	(1,849,114)	(1,168,199)	(3,233,696)	(741,272)	(326,043)	(7,318,324)
Fund available	550,886	831,801	1,260,562	2,258,728	673,957	5,575,934
Loans, financing and advances:						
Disbursement	1,847,359	705,809	2,983,696	434,033	325,962	6,296,859
Repayment	(948,306)	(201,544)	(1,776,134)	(47,349)	(299,981)	(3,273,314)
Outstanding	899,053	504,265	1,207,562	386,684	25,981	3,023,545
Number of beneficiaries	57	12	41	6	107	223
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 49. GOVERNMENT FUNDS (CONT'D.)

## 49.1 Performance of the fund (cont'd.)

Group	2020			2019		
	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000
Allocated funds	7,000,000	12,894,258	19,894,258	7,000,000	12,894,258	19,894,258
Net approved	(1,725,228)	(7,068,324)	(8,793,552)	(1,189,948)	(7,318,324)	(8,508,272)
Fund available	5,274,772	5,825,934	11,100,706	5,810,052	5,575,934	11,385,986
Loans, financing and advances:						
Disbursement	499,702	6,630,227	7,129,929	211,548	6,296,859	6,508,407
Repayment	(15,588)	(3,276,194)	(3,291,782)	(8,953)	(3,273,314)	(3,282,267)
Outstanding	484,114	3,354,033	3,838,147	202,595	3,023,545	3,226,140
Number of beneficiaries	11	226	237	3	223	226

Bank	2020					
	Tourism Infrastructure fund 2.0 RM'000	Maritime and Logistics fund* RM'000	Public Transport fund 2.0 RM'000	Industry Digitalisation Transformation fund* RM'000	Sustainable Development Financing fund* RM'000	Subtotal 1 RM'000
Allocated funds	1,000,000	1,500,000	-	2,000,000	2,000,000	6,500,000
Net approved	(424,272)	(279,856)	-	(606,348)	(376,000)	(1,686,476)
Fund available	575,728	1,220,144	-	1,393,652	1,624,000	4,813,524
Loans, financing and advances:						
Disbursement	19,296	119,260	-	225,704	134,468	498,728
Repayment	-	(15,588)	-	-	-	(15,588)
Outstanding	19,296	103,672	-	225,704	134,468	483,140
Number of beneficiaries	2	3	-	2	3	10
Expiry	Dec 20	Dec 21	Dec 20	Dec 21	Dec 21	

\* Fund was created on 1 January 2019 and the expiry dates for Maritime and Logistics, Industry Digitalisation Transformation and Sustainable Development Financing funds were extended to December 2021. The allocated funds for Industry Digitalisation Transformation fund was reduced to RM2.0 billion and allocated funds for Sustainable Development fund was increased to RM2.0 billion effective October 2020.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 49. GOVERNMENT FUNDS (CONT'D.)

## 49.1 Performance of the fund (cont'd.)

2020						
Bank	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Subtotal 2 RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	5,742	11,900,000
Net approved	(1,849,114)	(1,168,199)	(2,983,696)	(741,272)	(5,742)	(6,748,023)
Fund available	550,886	831,801	1,510,562	2,258,728	-	5,151,977
Loans, financing and advances:						
Disbursement	1,847,359	885,911	2,983,696	587,299	5,661	6,309,926
Repayment	(997,426)	(189,794)	(1,718,127)	(64,257)	(5,661)	(2,975,265)
Outstanding	849,933	696,117	1,265,569	523,042	-	3,334,661
Number of beneficiaries	57	14	41	7	1	120
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

2019						
Bank	Tourism Infrastructure fund 2.0* RM'000	Maritime fund 2.0* RM'000	Public Transport fund 2.0* RM'000	Industry Digitalisation Transformation fund* RM'000	Sustainable Development Financing fund* RM'000	Subtotal 1 RM'000
Allocated funds	1,000,000	1,500,000	-	3,000,000	1,000,000	6,500,000
Net approved	(324,272)	(212,473)	-	(224,048)	(418,603)	(1,179,396)
Fund available	675,728	1,287,527	-	2,775,952	581,397	5,320,604
Loans, financing and advances:						
Disbursement	11,370	22,230	-	177,948	-	211,548
Repayment	-	-	-	(8,953)	-	(8,953)
Outstanding	11,370	22,230	-	168,995	-	202,595
Number of beneficiaries	1	1	-	1	-	3
Expiry	Dec 20	Dec 20	Dec 20	Dec 20	Dec 20	

\* Fund was created on 1 January 2019.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 49. GOVERNMENT FUNDS (CONT'D.)

## 49.1 Performance of the fund (cont'd.)

2019						
Bank	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Subtotal 2 RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	5,742	11,900,000
Net approved	(1,849,114)	(1,168,199)	(3,233,696)	(741,272)	(5,742)	(6,998,023)
Fund available	550,886	831,801	1,260,562	2,258,728	-	4,901,977
Loans, financing and advances:						
Disbursement	1,847,359	705,809	2,983,696	434,033	5,661	5,976,558
Repayment	(948,306)	(201,544)	(1,776,134)	(47,349)	(5,661)	(2,978,994)
Outstanding	899,053	504,265	1,207,562	386,684	-	2,997,564
Number of beneficiaries	57	12	41	6	1	117
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

Bank	2020			2019		
	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000
Allocated funds	6,500,000	11,900,000	18,400,000	6,500,000	11,900,000	18,400,000
Net approved	(1,686,476)	(6,748,023)	(8,434,499)	(1,179,396)	(6,998,023)	(8,177,419)
Fund available	4,813,524	5,151,977	9,965,501	5,320,604	4,901,977	10,222,581
Loans, financing and advances:						
Disbursement	498,728	6,309,926	6,808,654	211,548	5,976,558	6,188,106
Repayment	(15,588)	(2,975,265)	(2,990,853)	(8,953)	(2,978,994)	(2,987,947)
Outstanding	483,140	3,334,661	3,817,801	202,595	2,997,564	3,200,159
Number of beneficiaries	10	120	130	3	117	120

## 50. SIGNIFICANT EVENTS

## 1. Full-Fledged Islamic Development Financial Institution ("FFIDFI")

The Bank started the journey to become a FFIDFI in 2017 and engaged a consultant to prepare a road map to achieve the objective in 2018. The road map was mainly focused on identifying the issues and initiatives to convert the Conventional loan to Islamic financing.

The initiatives had been identified as one of the key Strategic Thrusts carved in the 3-Year Strategic Plan 2020 – 2022 under "Adhering to Islamic Principles" as approved by the Board of Directors ("BOD") on 27 November 2019. On 5 January 2021, Bank Negara Malaysia ("BNM") included an additional requirement for the Bank to become a FFIDFI. The Bank is required to meet a threshold of Shariah Non-Compliance Net Income of less than 33 percent in order to be recognised as a FFIDFI.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

## 50. SIGNIFICANT EVENTS (CONT'D.)

## 2. Exposure to COVID-19 Impacted Sectors

The table below presents the loans, financing and advances (net of impairment) by industry sectors identified as directly vulnerable affected by COVID-19 pandemic for the Group and the Bank:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Construction	2,518,477	2,534,349	2,518,477	2,534,349
Finance, insurance/takaful and business	99,908	89,089	-	-
Hotel and restaurants	773,089	758,757	721,882	737,249
Transport, storage and communications	2,653,598	3,140,898	2,627,690	3,113,199

## 3. COVID-19 Customer Relief and Support Measures

Group	Loans, advances and financing RM'000
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	6,400,704
Matured and repaying as per revised schedules	3,993,365
Extended and repaying as per revised schedules	2,407,339

*As a percentage of total:*

Matured and repaying as per revised schedules	62.39%
Extended and repaying as per revised schedules	37.61%

Bank	Loans, advances and financing RM'000
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	6,361,924
Matured and repaying as per revised schedules	3,985,838
Extended and repaying as per revised schedules	2,376,086

*As a percentage of total:*

Matured and repaying as per revised schedules	62.65%
Extended and repaying as per revised schedules	37.35%

## 51. SUBSEQUENT EVENTS

During the 2020 Budget Speech on 11 October 2019, the previous Finance Minister announced a restructuring exercise of the Development Financial Institutions ("DFIs"). The objective of this exercise is to strengthen the development finance ecosystem. The DFIs involved in this exercise are Bank Pembangunan Malaysia Berhad ("BPMB"), Danajamin Nasional Berhad ("Danajamin"), Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank") and Export-Import Bank of Malaysia Berhad ("Exim Bank").

The Steering Committee chaired by the Ministry of Finance ("MOF"), has endorsed the institutional structure for Phase 1 of the DFI merger. Under the proposed structure, Danajamin will become a wholly-owned subsidiary of BPMB.

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