

BANK PEMBANGUNAN MALAYSIA BERHAD
197301003074 (16562-K)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2021

197301003074 (16562-K)

**Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)**

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**Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)****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 2021.

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 50 to the financial statements.

Results

	Group RM'000	Bank RM'000
Net profit for the year	<u>176,437</u>	<u>145,662</u>
Attributable to:		
Equity holders of the Bank	175,662	145,662
Non-controlling interests	<u>775</u>	<u>-</u>
	<u>176,437</u>	<u>145,662</u>

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 8, 11, 41 and 42 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 continuous application of management overlays to reflect the continuous impact of COVID-19 pandemic.

Dividends

The amount of dividends paid by the Bank since 31 December 2020 were as follows:

Final single tier tax exempt dividend on 3,078,724,049 ordinary shares, amounting to RM75,000,000 (2.44 sen net per ordinary share), in respect of the financial year ended 31 December 2020 was approved on 31 March 2021 and paid on 29 June 2021.

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Dividends (cont'd.)

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2021, on 3,451,584,988 ordinary shares, amounting to a dividend payable of RM75,000,000 (2.17 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 2022.

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:

Tan Sri Mohamed Nazir bin Abdul Razak	(appointed on 22 April 2021)
Ariff bin Rozhan	
Norazilla binti Md Tahir	
Meow Yoke Nuan	(appointed on 2 June 2021)
Datin Rashidah binti Mohd Sies	(appointed on 27 September 2021)
Othman bin Abdullah	(appointed on 22 October 2021)
Tan Sri Datuk Seri Rashpal Singh Randhay	(appointed on 28 April 2022)
Rosnah binti Kamarul Zaman	(appointed on 17 May 2022)
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) Danajamin Nasional Berhad

Tan Sri Datuk Seri Rashpal Singh Randhay	(appointed on 16 June 2021)
Datuk Che Mokhtar bin Che Ali	
Choo Yoo Kwan @ Choo Yee Kwan	
Elakumari Kantilal	
Imri Dolhadi bin Ab Wahab	
Rosnah binti Kamarul Zaman	(appointed on 6 January 2021)
Faisal bin Ismail	(appointed on 25 May 2021 and resigned on 19 November 2021)
Suresh Kumar T.A.S Menon	(retired with effect from 10 May 2021)
Md Yusof bin Hussin	(retired with effect from 22 August 2021)

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Directors (cont'd.)

(ii) Global Maritime Ventures Berhad

Ariff bin Rozhan
Norazilla binti Md Tahir

(iii) Pembangunan Leasing Corporation Sdn Bhd

Mohamed Nazri bin Omar	(appointed on 7 April 2022)
Arshad bin Mohamed Ismail	(resigned on 7 April 2022)
Norazilla binti Md Tahir	
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)

(iv) SME Growth Acceleration Fund Sdn Bhd

Nik Nor Aini binti Nik Mohamed
Elioskarma bin Abdul Aziz

(v) Emerald Upline Sdn Bhd

Azmahnor binti Siarap @ Abdul Wahab
Amreen bin Mohamed

(v) Maju Nominees (Tempatan) Sdn Bhd

Azmahnor binti Siarap @ Abdul Wahab
Elioskarma bin Abdul Aziz

(vi) BPMB Urus Harta Sdn Bhd (In Liquidation)

Elioskarma bin Abdul Aziz
Azmahnor binti Siarap @ Abdul Wahab

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 39 and 40 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.

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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 Group and 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 Group and the Bank. The amount of insurance premium paid for any director and officer of the Group and the Bank during the financial year was RM448,400. 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.

Issue of shares

During the financial year, the Bank increased its issued and paid-up ordinary share capital from RM3,078,724,049 to RM4,018,781,049 by way of issuance of 372,860,939 ordinary shares at an issue price of RM2.52 per ordinary share as part of purchase consideration for the acquisition of a subsidiary.

Issuance of Islamic Medium-Term Note Programme

On 8 June 2021 and 25 October 2021, the Bank has issued Islamic Medium Term Notes ("Sukuk Wakalah Programme") of RM1.25 billion and RM0.45 billion respectively (2020: RM1.0 billion) for additional working capital purposes. The terms of the Sukuk Wakalah Programme are disclosed in Note 25(iii) and Note 25(iv) 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	17 December 2021	RM7.0 billion Conventional Medium-Term Notes Programme and/or Islamic Murabahah Medium-Term Notes Programme	AAA/Stable
MARC Rating	11 November 2021	RM5.0 billion Islamic Medium-Term Note (IMTN) Programme	AAA with stable outlook

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Business Outlook

Projected external operating conditions

The on-going Russia-Ukraine war has finally taken its toll on the global economy as the direct impact on affected countries that have strong links and high trade dependence with those two countries at war as well as the indirect effects on the global economy via commodity prices have now grown significant. Global economic growth is now expected to decelerate faster than expected to 3.6% in 2022 (2021: 6.1%).

Much of the pullback would come from the major developed economies which were already slowing down in response to the pullback of stimulus policy as the economic recovery normalises since late 2021. However, for many Asian (excluding China and Japan) and other developing economies, growth are set to accelerate, reflecting the lagged effects of the pick-up in the COVID-19 vaccination rates and the opening up of their economies. The direct impact from the war may see some countries now expected to slow down much faster while the indirect effects vary, depending on the availability of domestic policy support in respective countries.

The most significant impact from the war on the global economy was the indirect effect via the surge in commodity prices. Russia is the third-largest oil producer after the United States ("US") and Saudi Arabia and together with Ukraine, they are major producers of wheat, barley and maize. With supply of those commodities disrupted due to the war, this may stoke further global inflation that is already trending significantly higher due to the persistent disruption on global supply chain and shortage of labour.

Crude oil prices may continue to be volatile. While the expectation of the global economic slowdown and the oncoming warm weather would see prices correcting downwards, China's nascent signs of economic recovery may limit the downside or even lead the prices back higher. Having said that, the Bank expects the Brent crude to average much higher in 2022 than that recorded in 2021 that is at US\$109 p.b. (2021: US\$77.78 p.b.).

Meanwhile, the expectation of quicker US monetary policy tightening would continue to cast volatility in the financial markets, especially in emerging economies on concerns over external debt repayment amidst capital outflows and weaker currency. The US Federal Reserve is expected to raise the Fed Fund rate to 2.75% – 3.00% which will further support the United States Dollar ("USD"). The USD is now projected to trade at US\$1.02 per Euro by end-2022 (2021: 1.14).

Malaysia economic outlook

The impact of the Russia-Ukraine war on Malaysia should be the indirect effects via commodity prices and in turn, inflation. Nonetheless, despite the rising domestic prices, the impact on overall growth performance is likely to be muted for this year. Malaysia stands to benefit given that we are major oil and palm oil exporters. The higher oil prices give a greater leeway for the federal government to provide subsidies to ensure prices for basic items consumed by most of the households still within the administered level, hence ensuring the overall impact of rising prices remains manageable.

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Business Outlook (cont'd.)

Malaysia economic outlook (cont'd.)

At the same time, the higher palm oil prices and the latest Employees Provident Fund (Malaysia) withdrawals boosted household purchasing power – relieving the government's burden of providing additional relief measures. Real gross domestic product ("GDP") growth is likely to accelerate in the second quarter of 2022 following the stronger-than-expected growth in the first quarter of 2022. Thereafter, economic growth is likely to normalise as domestic demand eases. The Bank now expects real GDP growth to pick up to 5.8% in 2022 from 3.1% in 2021.

The headline inflation is expected to average at 2.8% in 2022 (Bank Negara Malaysia ("BNM"): 2.3% - 3.2%) unless the prices of the administered items are adjusted much higher, which will then see us reviewing the forecast. While the average rise in inflation is lower than the 3.0% recorded in 2021, the much stronger economic recovery provides room to BNM to tighten its monetary policy in line with the global monetary conditions.

Nonetheless, given the still large uncertainty weighing on growth prospect, the Bank expects there will only be another hike of 25bps in the second half of 2022, bringing the rate to 2.25% by the end of 2022. With the US Federal Reserve officials pledging to hike up the Fed Fund rate by as much as needed to rein in inflation, that has put significant downward pressure on emerging currencies including Ringgit Malaysia ("MYR") despite the high oil prices. The Bank now expect USD/MYR to end the year at 4.35 (2021: 4.17).

Latest data on the banking system by BNM showed that the net financing and capital ratios had remained stable. The improving economic outlook would support domestic financial markets and provide a more conducive environment for financial intermediation activities in 2022.

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.

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Other Statutory Information (cont'd.)

- (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.

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Significant Events

The significant events during the financial year are as disclosed in Note 56 to the financial statements.

Subsequent Events

The subsequent events are as disclosed in Note 57 to the financial statements.

Auditors

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

Auditors' remunerations are disclosed in Note 38 (iv) to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 10 June 2022.



Tan Sri Mohamed Nazir bin Abdul Razak



Norazilla binti Md Tahir

Kuala Lumpur, Malaysia

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Statement by Directors

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

We, Tan Sri Mohamed Nazir bin Abdul Razak 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 24 to 255 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 2021 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 10 June 2022.



Tan Sri Mohamed Nazir bin Abdul Razak



Norazilla binti Md Tahir

Kuala Lumpur, Malaysia

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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 Roni Lihawa bin Abdul Wahab, a Director and the 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 24 to 255 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 10 June 2022.



Norazilla binti Md Tahir



Roni Lihawa bin Abdul Wahab

Before me,



NAILAH RAMLI & PARTNERS
Peguambela Peguamcara & Peguam Syarie
No. 25-2, Tingkat 2 Jalan Setiawangsa 9,
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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" or "BPMB"):

INTRODUCTION

In carrying out the roles and the responsibilities of the Shariah Committee ("SC") 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 2021.

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 to the Shariah Committee and internal Control Functions which are established to carry out the specified roles under the Shariah governance requirements. The Secretariat to the Shariah Committee is undertaken by Group Shariah Management ("GSM") and this function includes conducting research and studies on Shariah issues, providing Shariah advisory to the Bank based on the rulings of the Shariah Advisory Council of Bank Negara Malaysia and Securities Commission as well the decisions or advice of the Shariah Committee and handling zakat related matters. Meanwhile, the roles of the internal Control Functions are taken out by Group Risk Management, Group Compliance and Group Internal Audit which include 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, amongst 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.

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Shariah Committee Report (cont'd.)

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES

Among the key developments and activities during the financial year are the approvals given for the enhancement of the Bank existing base templates for legal documentation and security document, the enhancement of Shariah pre-screening parameter for Islamic facility, the enhancement of the existing processes in executing Tawarruq-based financing transactions, disclosure and operations as well as the enhancement of assessment criteria in relation to zakat beneficiaries and distribution. The Shariah Committee has also deliberated and approved in principle the application of Shariah contract of Musharakah in order to support the Bank's effort to explore the potential development of Shariah compliant risk sharing product.

Apart from the above, the engagement with the Board has been attended by the Shariah Committee to discuss on matters pertaining to the Shariah governance implementation within the Bank whereby the expectations from the Shariah Committee and the Board as well as the implementation of Shariah compliance culture become the main focus of the said discussion.

As part of training and development program for Shariah Committee, all members with exception of the Chairman whom had been granted an exemption have been enrolled into the certification programs namely the Certified Shariah Advisor ("CSA") and the Certified Shariah Practitioner ("CSP") by Association of Shariah Advisors in Islamic Finance ("ASAS"). One of the members has successfully completed modules in Level 3 of the program. In addition, the members also attended several local trainings as part of their competency development program.

The Bank also encourages the Shariah Committee members to attend relevant talks, trainings and seminars to enhance their knowledge in the areas relevant to Islamic finance and banking such as risk and compliance as well as to keep abreast with the new developments in the banking industry. Such attendance, if proposed will be facilitated by Group Shariah Management in collaboration with training unit of Group Human Resource.

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

a. Secretariat to the Shariah Committee

Group Shariah Management undertakes the secretariat function to serve the Shariah Committee and has the responsibility to provide operational support for effective functioning of the Shariah Committee, which includes coordinating communications and disseminating information among the Shariah Committee, the Board and Senior Management; performing research and studies on Shariah issues; providing day-to-day Shariah advisory to relevant parties within the Bank on Shariah matters based on the rulings of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia and Securities Commission as well as the decisions or advice of the Shariah Committee.

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Shariah Committee Report (cont'd.)

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

a. Secretariat to the Shariah Committee (cont'd.)

This includes providing the preliminary review of Shariah issues that arise from the proposals and documents provided by internal business and support functions prior to submitting for Shariah Committee's approval, deliberation and information. The proposals and documents include, amongst others; the financing proposals, letter of offers, legal documentation, policies and procedures, internal guidelines, the Bank's annual report and other operational support activities.

For efficiency purposes, Group Shariah Management has also been authorised by the Shariah Committee to provide Shariah endorsement based on the delegated matters specified under the Shariah Committee Authority Matrix.

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.

Throughout the financial year, several research have been initiated by Group Shariah Management for the benefit of the Bank based on the following topics:

1. Research on Zakat Distribution for Asnaf under the Category of *Fi Sabilillah* from BPMB's Perspective;
2. Shariah Committee Resolutions 2020: Compilation of Key Rulings and *Takyif Fiqhi*/Justification; and
3. Enhancement to the Existing Shariah Pre-Screening Parameter for Islamic Facility.

Among the key rulings that have been compiled under 2020 Shariah Committee Resolutions are:

1. Computation of Actual Cost or Loss of Late Payment Charges
2. New Products Proposal by PLC Namely, Hire Purchase-i and Industrial Hire Purchase-i
3. Imposition of Fees and Charges by BPMB to Customer
4. Charging Processing Fee and Transaction Fee Based on the Approved Facility Amount of Financing/Facility Instead of Disbursed Facility Amount
5. Jadual Perkiraan Had *Kifayah*
6. Development on a *Waqf* Land
7. Capitalisation of Profit before Executing Commodity Trading
8. *Bai' Dayn Bi Al-Sila'* Arrangement for Factoring-i Facility
9. Enhancement of Wakalah Arrangement In Tawarruq Transactions
10. Non-Tradable Commodities for Tawarruq Transactions

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Shariah Committee Report (cont'd.)

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

b. Shariah Risk Management

During the financial year, we note that the designated Operational Risk Liaison Officers (“ORLOs”) at each business and support Functions have been executing the relevant tools including reporting of the Shariah Key Risk Indicators (“KRI”) on monthly basis and had completed the 2021 Risk & Control Self-Assessment (“RCSA”) exercise 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 together with the appropriate risk mitigation measures. Subsequently, the Shariah non-compliance risk exposures were monitored and action plans were tracked periodically.

As part of the continuous awareness efforts on Shariah non-compliance risk exposures in line with BNM's expectation for a strong Shariah-compliant culture, Group Risk Management had published ten (10) Modules under Shariah Risk Learning Program via infographic email to all staff throughout the year. Accompanying the Modules, there were three (3) sets of digital quizzes to gauge the understanding of staff on the shared knowledge.

For the financial year under reporting, there was no Shariah non-compliance event detected and reported by the designated ORLOs from the business Functions. There was one (1) internal Shariah Non-Compliance KRI triggered for seven (7) months during the financial year i.e. Number of Shariah related compliance and audit findings, issues as highlighted arising from Shariah Compliance Review and Shariah Audit. 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 Unit 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 Group and the Bank do not contravene with the Shariah and regulatory requirements.

During financial year 2021, there were five (5) Shariah compliance reviews subjects conducted by the Compliance Review Unit in accordance with the Shariah Compliance Review Plan approved by us for their implementation. The areas of concern and areas for enhancement identified as well as the proposed remedial rectifications measures to resolve non-compliances were presented and deliberated in our meetings.

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Shariah Committee Report (cont'd.)

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

c. Shariah Review (cont'd.)

The reviews conducted by the Compliance Review Unit covering the following subjects:

1. Pembangunan Leasing Corporation's (PLC) Factoring-i;
2. Implementation of Actual Cost or Loss due to Late Payment and Breach of *Wa'd*;
3. Pembangunan Leasing Corporation's (PLC) Leasing-i;
4. Staff Benefit; and
5. Implementation of Moratorium Due to Covid-19 Crisis.

Apart from the regular assessment, an extensive focus was given to identify gaps in BPMB Group'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 the Compliance Review Unit.

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 is one of the control functions under Shariah governance which is responsible to support Shariah Committee in providing objective and independent assessment on the adequacy and effectiveness of the BPMB's internal control, risk management systems, governance processes as well as improve the degree of overall compliance of the BPMB's operations, business, affairs and activities with Shariah.

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 2021:

1. Shariah Audit Report On Product Development. This audit covers: -
 - The adequacy and efficiency of internal control systems established, and ensure that adequate internal controls have been implemented in conducting the day-to-day activities;
 - The adequacy and extensiveness of reviews established by the Product Development in the development and/or enhancement of products ensuring identification of Shariah risk and the mitigating factors; and
 - Product proposal paper and relevant approvals to ensure the submissions of application of New Products and/or enhancement on product features complies with BNM's Guidelines on Introduction of New Products.
2. Shariah Audit on Rescheduling & Restructuring, Recovery and Litigation of Financing Facilities which covers legal documentation, reschedule & restructuring proposal as well as end-to-end commodity trading process.

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Shariah Committee Report (cont'd.)

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

d. Shariah Audit (cont'd.)

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 2021 (cont'd.):

3. Shariah Audit on Implementation of Shariah Governance in Operational & Shariah Risk Management of BPMB. The audit had covered the following areas:
 - The adequacy and effectiveness of internal control implemented by Operational & Shariah Risk Management in identifying, measuring, monitoring, controlling & mitigation and reporting of Shariah non-compliance risk exposure;
 - The adequacy and effectiveness of the following monitoring/ surveillance tools: -
 - ❖ Risk and Control Self-Assessment ("RCSA");
 - ❖ Key Risk Indicator ("KRI");
 - ❖ Operational Loss Event Reporting; and
 - ❖ Shariah Non-compliance Reporting ("SNC") through BNM ORION System.
 - The effectiveness on Standard Operating Procedure ("SOP") and circulars issued as a guide and for controls requirement.
4. Shariah Audit on Implementation of Shariah Governance in Shariah Review Function. The audit covered: -
 - The adequacy and effectiveness of Shariah Review Framework/ methodology/ procedures in carrying out its compliance role as well as compliance with the Service Level Agreements ("SLA") established;
 - The monitoring/surveillance functions: -
 - ❖ Monitoring of BPMB compliance with the applicable policies and regulations;
 - ❖ Handling of Shariah non-compliance issues; and
 - ❖ The structured process in arriving at Shariah decisions are adequate, operative and effective.
 - The Shariah Review Reports submitted by Compliance Review to Management, Shariah Committee and Board of Directors.
5. Shariah Audit on Implementation of Shariah Governance in Group Shariah Management. The audit had covered the following areas: -
 - The adequacy and effectiveness of Shariah Management Guidelines/ Policies/Procedures in carrying out its Shariah Documentation Review and Shariah Advisory & Research roles to ensure compliance with the SLA and delegation of authority to GSM by SC;
 - The department's SOP on its role as secretariat in providing operational support for effective functioning of the Shariah Committee;

**Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)**

Shariah Committee Report (cont'd.)

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

d. Shariah Audit (cont'd.)

5. Shariah Audit on Implementation of Shariah Governance in Group Shariah Management. The audit had covered the following areas (cont'd.):
 - The SC Minutes of Meeting in order to establish the following: -
 - ❖ Proper dissemination of decisions or advice of the Shariah Committee within BPMB Group;
 - ❖ Proper dissemination of decisions or advice of the Shariah Committee within BPMB or advice of the SC, including the key deliberations, the rationale for each decision or recommendation made, and any significant concerns and dissenting views; and
 - ❖ The circular resolution shall be notified in the subsequent SC meeting and is deemed effective should it comprise the decisions or advice made by two-thirds (2/3) of the SC members, with the majority of them being Shariah-qualified persons.
 - The reports/ papers/ research submitted by the Group Shariah Management to Shariah Committee, Management Committee and Board of Directors.

INITIATIVES ON TRAINING AND AWARENESS

In year 2021, a total of 49 staffs had attended various Islamic finance, Shariah-related training programs and internal/external seminars includes among others as follows:

1. Being an Islamic Banker
2. Late Payment Charges for Islamic Banking Institutions
3. Related Policies and Guidelines of BNM for Islamic Financing Facilities
4. Group Shariah Management ("GSM") Staff Engagement Program 2021
5. Financing Product (Tawarruq)
6. Tawarruq Deposit and Financing
7. Qard Product
8. Collateralised Commodity Murabahah
9. Pengurusan Pusaka: Apakah Perlu Dibuat
10. Shariah Audit for Corporate, Hedging and Financial Market Products, organised by Red Money
11. Certified Shariah Advisor & Auditor
12. Certificate in Shariah for Banking and Finance
13. Shariah Governance: Legal and Regulatory Updates: Virtual Training
14. Associate Qualification In Islamic Finance on the Go
15. The Basic knowledge needed to concur on islamic treasury
16. Islamic Capital Market Summit 2021 ("ICMS 2021")
17. Islamic Finance Conference 2021
18. Webinar on Islamic Finance: Islamic Trade Finance - An Opportunity for Malaysia
19. Credit Risk Management & Measurement for Islamic Banks
20. Islamic Finance 360 - Muzakarah 2021

**Bank Pembangunan Malaysia Berhad
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Shariah Committee Report (cont'd.)

INITIATIVES ON TRAINING AND AWARENESS (CONT'D.)

In year 2021, a total of 49 staffs had attended various Islamic finance, Shariah-related training programs and internal/external seminars includes among others as follows (cont'd.):

21. Academy for Islamic Finance
22. Shariah Risk Profiling for Islamic Finance Products
23. Intermediate Qualification In Islamic Finance ("IQIF") - Module 1
24. 16th Kuala Lumpur Islamic Finance Forum 2021 ("KLIFF")
25. Islamic Treasury Masterclass
26. Tawarruq and Beyond Tawarruq
27. Muzakarah 2021: Industri Kewangan Islam Pasca Pandemik: Impak, Cabaran dan Hala Tuju

SHARIAH NON-COMPLIANT EVENTS AND DERECOGNISED INCOME

During the financial year 2021, 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%. Throughout the year, the zakat amount paid by the Bank to the states' zakat agencies and other eligible beneficiaries (asnaf) in Malaysia 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 2021 that were reviewed by us, are in compliance with Shariah; and
2. The computation and distribution of zakat fund are in compliance with Shariah.

**Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)**

Shariah Committee Report (cont'd.)

SHARIAH COMMITTEE OPINION (CONT'D.)

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 2021 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 10 June 2022.



Assoc. Prof. Dr. Aznan bin Hasan
Chairman



Dr. Ahmad Basri bin Ibrahim
Member of the Committee

Kuala Lumpur, Malaysia

197301003074 (16562-K)

**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 2021 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 24 to 255.

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 2021, 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.

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**Independent auditors' report to the members of
Bank Pembangunan Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (cont'd.)

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 on the Directors' Report.

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.

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**Independent auditors' report to the members of
Bank Pembangunan Malaysia Berhad (cont'd.)
(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.

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**Independent auditors' report to the members of
Bank Pembangunan Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)**

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

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 (cont'd.):

- 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
10 June 2022



Ahmad Hammami Bin Muhyidin
No. 03313/07/2023 J
Chartered Accountant

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Financial Position
As at 31 December 2021

		Group		Bank	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term deposits	4	966,678	1,035,238	825,847	861,787
Deposits and placements					
with financial institutions	5	2,124,567	185,772	258,154	51,137
Financial investments at fair value					
through profit or loss ("FVTPL")	6	14,863	45,566	14,863	45,566
Financial investments at fair value					
through other comprehensive					
income ("FVOCI")	7	5,949,928	6,131,538	5,215,576	6,131,538
Loans, financing and advances	8	16,074,609	15,584,069	15,864,963	15,394,417
Insurance receivables	9	196,759	-	-	-
Reinsurance assets	10	642	-	-	-
Other assets	11	409,563	285,358	337,850	263,652
Investments in subsidiaries	12	-	-	2,168,939	254,767
Interest in associates	13	541	543	-	-
Interest in joint ventures	14	-	-	-	-
Property, plant and equipment	15	84,395	84,422	83,807	84,180
Investment properties	16	322	330	322	330
Intangible assets	17	8,022	6,110	7,478	6,045
Right-of-use assets	18(a)	846	331	236	301
Deferred tax assets	19	296,638	116,402	294,762	114,787
Total assets		26,128,373	23,475,679	25,072,797	23,208,507
Liabilities					
Deposits from customers	20	5,974,752	5,346,836	5,974,752	5,346,836
Deposits and placements from					
financial institutions	21	1,031,496	801,092	1,031,496	801,092
Premium liabilities	22	261,598	-	-	-
Insurance payables	23	427	-	-	-
Other liabilities	24	138,774	101,306	87,101	49,627
Redeemable notes/Sukuk	25	9,297,853	8,249,316	8,792,132	8,249,316
Borrowings	26	152,540	508,466	152,540	508,466
Infrastructure support fund	27	303,974	304,503	303,974	304,503
Deferred income	28	190,262	201,800	190,262	201,800
Lease liabilities	18(b)	867	344	245	313
Deferred tax liabilities	19	5,186	59	-	-
Total liabilities		17,357,729	15,513,722	16,532,502	15,461,953

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Financial Position
As at 31 December 2021 (cont'd.)

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Equity attributable to equity holders of the Bank					
Share capital	29	4,018,781	3,078,724	4,018,781	3,078,724
Reserves	30	4,738,797	4,871,018	4,521,514	4,667,830
		<u>8,757,578</u>	<u>7,949,742</u>	<u>8,540,295</u>	<u>7,746,554</u>
Non-controlling interests		13,066	12,215	-	-
Total equity		<u>8,770,644</u>	<u>7,961,957</u>	<u>8,540,295</u>	<u>7,746,554</u>
Total equity and liabilities		<u>26,128,373</u>	<u>23,475,679</u>	<u>25,072,797</u>	<u>23,208,507</u>
Commitments and contingencies	46(a)	<u>7,503,294</u>	<u>7,346,961</u>	<u>7,122,245</u>	<u>6,914,570</u>

The accompanying notes form an integral part of the financial statements

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Profit or Loss
For the Financial Year Ended 31 December 2021

	Note	Group 2021 RM'000	2020 RM'000	Bank 2021 RM'000	2020 RM'000
Interest income	32	315,299	500,068	294,654	485,367
Interest expense	33	(81,197)	(163,049)	(77,178)	(163,047)
Net interest income		234,102	337,019	217,476	322,320
Net income from Islamic financial business	54	548,551	556,095	535,304	548,856
Net earned premiums	34	10,009	-	-	-
Non-interest income	35	26,309	54,260	9,668	51,438
Refund of government compensation	36	(1,370)	(3,094)	(1,370)	(3,094)
Net income		817,601	944,280	761,078	919,520
Net claim recovered	37	27,303	-	-	-
Overhead expenses	38	(147,950)	(107,111)	(132,015)	(101,447)
Gain on deconsolidation of dissolved companies	12(b)	-	59	-	-
Allowance for impairment losses of loans, financing and advances	41	(384,912)	(670,221)	(373,014)	(660,785)
Allowance for impairment losses on other assets	42	(57,686)	(9,471)	(44,758)	(10,130)
Operating profit		254,356	157,536	211,291	147,158
Share of (loss)/profit of associates and joint ventures		(2)	4	-	-
Profit before taxation and zakat		254,354	157,540	211,291	147,158
Taxation	43	(68,356)	(39,237)	(57,354)	(37,569)
Zakat		(9,561)	(11,220)	(8,275)	(8,769)
Net profit for the year		176,437	107,083	145,662	100,820

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Profit or Loss

For the Financial Year Ended 31 December 2021 (cont'd.)

	Note	Group 2021 RM'000	2020 RM'000	Bank 2021 RM'000	2020 RM'000
Attributable to:					
<u>Equity holders of the Bank</u>					
Profit for the year attributable to equity holders of the Bank		175,662	107,144	145,662	100,820
<u>Non-controlling interests</u>					
Income/(loss) for the year attributable to non-controlling interests of the Bank		775	(61)	-	-
		<u>176,437</u>	<u>107,083</u>	<u>145,662</u>	<u>100,820</u>
Earnings per share attributable to the equity holders of the Bank:					
Basic/diluted earnings per share (sen)	45				
- from operations		<u>5.62</u>	<u>3.48</u>		

The accompanying notes form an integral part of the financial statements

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Comprehensive Income
For the Financial Year Ended 31 December 2021

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	176,437	107,083	145,662	100,820
Other comprehensive (loss)/income				
<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	15,973	(404)	15,973	(797)
<u>Items that may be reclassified to profit or loss:</u>				
Translation differences in respect of foreign operations	345	(178)	-	-
Debt instruments at fair value through other comprehensive income:				
- Net change in fair value during the year	(372,659)	135,913	(374,406)	135,913
- Changes in allowance for expected credit losses	51,601	9,405	51,598	9,405
	(304,740)	144,736	(306,835)	144,521
Income tax effect (Note 19)	90,274	(32,438)	89,857	(32,619)
	90,274	(32,438)	89,857	(32,619)
Other comprehensive (loss)/income for the year, net of tax	(214,466)	112,298	(216,978)	111,902
Total comprehensive (loss)/income for the year	(38,029)	219,381	(71,316)	212,722
Total comprehensive (loss)/income attributable to:				
Equity holders of the Bank	(38,880)	219,494	(71,316)	212,722
Non-controlling interests	851	(113)	-	-
	(38,029)	219,381	(71,316)	212,722

The accompanying notes form an integral part of the financial statements

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Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

**Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2021**

		Attributable to equity holders of the Bank									
		Non-distributable									
Group	Note	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Merger deficit RM'000	Unrealised FVOCI reserve RM'000	Exchange translation deficit RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2021		3,078,724	1,000	2,098,571	-	271,830	(7,122)	2,506,739	7,949,742	12,215	7,961,957
Profit for the year		-	-	-	-	-	-	175,662	175,662	775	176,437
Other comprehensive (loss)/income for the year		-	-	-	-	(214,811)	269	-	(214,542)	76	(214,466)
Total comprehensive (loss)/income for the year		-	-	-	-	(214,811)	269	175,662	(38,880)	851	(38,029)
Issuance of shares		940,057	-	-	-	-	-	-	940,057	-	940,057
Arising from acquisition of a subsidiary	51(iii)	-	-	-	(18,341)	-	-	-	(18,341)	-	(18,341)
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	-	-	9,083	-	(9,083)	-	-	-
Transfer to statutory reserve		-	-	36,416	-	-	-	(36,416)	-	-	-
Dividend paid	44	-	-	-	-	-	-	(75,000)	(75,000)	-	(75,000)
At 31 December 2021		4,018,781	1,000	2,134,987	(18,341)	66,102	(6,853)	2,561,902	8,757,578	13,066	8,770,644
At 1 January 2020		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	44	-	-	-	-	-	-	(152,214)	(152,214)	-	(152,214)
At 31 December 2020		3,078,724	1,000	2,098,571	-	271,830	(7,122)	2,506,739	7,949,742	12,215	7,961,957

The accompanying notes form an integral part of the financial statements

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Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statement of Changes in Equity
For the Financial Year Ended 31 December 2021

<-----Non-distributable ----->

Bank	Note	Share capital RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2021		3,078,724	2,098,571	271,830	2,297,429	7,746,554
Profit for the year		-	-	-	145,662	145,662
Other comprehensive loss for the year		-	-	(216,978)	-	(216,978)
Total comprehensive (loss)/income for the year		-	-	(216,978)	145,662	(71,316)
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	9,083	(9,083)	-
Transfer to statutory reserve		-	36,416	-	(36,416)	-
Issuance of shares		940,057	-	-	-	940,057
Dividend paid	44	-	-	-	(75,000)	(75,000)
At 31 December 2021		4,018,781	2,134,987	63,935	2,322,592	8,540,295
At 1 January 2020		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	44	-	-	-	(152,214)	(152,214)
At 31 December 2020		3,078,724	2,098,571	271,830	2,297,429	7,746,554

The accompanying notes form an integral part of the financial statements

Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

Statements of Cash Flows
For the Financial Year Ended 31 December 2021

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	254,354	157,540	211,291	147,158
Adjustments for:				
Share of loss/(profit) of associates and joint ventures	2	(4)	-	-
Refund of government compensation (Note 36 and 54(m))	32,111	3,094	32,111	3,094
Depreciation of property, plant and equipment (Note 38(ii))	4,686	4,908	4,537	4,847
Depreciation of investment properties (Note 38(ii))	8	7	8	7
Amortisation of intangible assets (Note 38(ii))	2,642	2,637	2,530	2,504
Depreciation of right-of-use assets (Note 38(ii))	381	198	152	185
Fixed asset written off (Note 38(iv))	84	-	84	-
Loss/(gain) on disposal of property, plant and equipment (Note 35(b))	8	(322)	-	(106)
Net gain on disposal of financial investments at FVOCI (Note 35(a) and 54(m))	(42,446)	(57,788)	(42,446)	(57,788)
Accretion of discount less amortisation of premium of financial investments (Note 32 and 54(m))	25,459	16,152	25,467	16,152
Impairment allowance for:				
Financial investments at FVOCI (Note 42)	51,601	9,405	51,598	9,405
Loss on corporate guarantees (Note 42)	6,200	-	-	-
Investment in subsidiaries (Note 42)	-	-	(6,755)	659
Allowances for impairment losses on loans, financing and advances, net (Note 41)	444,063	691,900	430,802	680,769
Impaired loans/financing and other assets written off (Note 41)	9,247	2,382	8,807	1,689
(Write back)/allowance for ex-staff loan/financing (Note 42)	(85)	79	(85)	79
Balance carried forward	788,315	830,188	718,101	808,654

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Statements of Cash Flows

For the Financial Year Ended 31 December 2021 (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Balance brought forward	788,315	830,188	718,101	808,654
Loss due to debt/financing modification (Note 32, 54(l) and 54(m))	9,961	578	9,961	578
Unrealised loss/(gain) on financial investments at FVTPL (Note 54(m))	30,703	(4,999)	30,703	(4,999)
Allowance for impairment losses on financing and advances made during the year against Infra Support Fund ("ISF") (Note 27)	(32,640)	(137,720)	(32,640)	(137,720)
Compensation from the Government (Note 32 and 54(m))	(105,555)	(103,840)	(105,555)	(103,840)
Operating cash flows before working capital changes	690,784	584,207	620,570	562,673
(Increase)/decrease in operating assets:				
Deposits and placements with financial institutions	(242,526)	739,143	(207,017)	831,691
Loans, financing and advances	(953,810)	(579,469)	(920,116)	(527,430)
Insurance receivables	16,664	-	-	-
Reinsurance assets	141	-	-	-
Other assets	(28,949)	423,590	(3,133)	345,276
	(1,208,480)	583,264	(1,130,266)	649,537
Increase/(decrease) in operating liabilities:				
Deposits from customers	627,916	(145,339)	627,916	(145,339)
Deposit and placements from financial institutions	230,404	(231,577)	230,404	(231,577)
Premium liabilities	(3,420)	-	-	-
Insurance payables	(710)	-	-	-
Other liabilities	(10,160)	(10,936)	1,672	43,938
	844,030	(387,852)	859,992	(332,978)
Cash generated from operating activities	326,334	779,619	350,296	879,232
Finance cost/interest expense on lease liabilities (Note 18(c))	(25)	(29)	(17)	(27)
Income taxes paid	(177,162)	(122,793)	(173,194)	(117,921)
Zakat paid	(9,568)	(30,386)	(9,568)	(30,386)
Net cash generated from operating activities	139,579	626,411	167,517	730,898

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Statements of Cash Flows

For the Financial Year Ended 31 December 2021 (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of a subsidiary, net cash paid (Note 51(iv))	(934,199)	-	(940,057)	-
Purchase of financial investments at FVOCI	(1,418,871)	(6,394,928)	(1,388,870)	(6,394,928)
Purchase of property, plant and equipment (Note 15)	(4,883)	(2,819)	(4,784)	(2,670)
Purchase of intangible assets (Note 17)	(3,759)	(1,957)	(3,427)	(1,953)
Proceeds from disposal of financial investments at FVOCI	1,904,911	4,960,372	1,884,911	4,960,372
Proceeds from maturity of financial investments at FVOCI	82,393	-	82,393	-
Proceeds from disposal of property, plant and equipment	127	576	-	106
Net cash outflow on dissolution of subsidiaries (Note 12(b))	-	(267)	-	-
Net cash used in investing activities	<u>(374,281)</u>	<u>(1,439,023)</u>	<u>(369,834)</u>	<u>(1,439,073)</u>
Cash flows from financing activities				
Net repayments of borrowings (Note 26)	(350,000)	(1,650,000)	(350,000)	(1,650,000)
Net payment/repayment of Sukuk/ redeemable notes (Note 25)	(1,150,000)	(50,000)	(1,150,000)	(50,000)
Proceeds from Government compensation	41,532	51,324	41,532	51,324
Proceeds from Sukuk issuance (Note 25)	1,700,000	1,000,000	1,700,000	1,000,000
Payment of principal portion of lease liabilities	(390)	(182)	(155)	(168)
Dividend paid (Note 44)	<u>(75,000)</u>	<u>(152,214)</u>	<u>(75,000)</u>	<u>(152,214)</u>
Net cash generated from/(used in) financing activities	<u>166,142</u>	<u>(801,072)</u>	<u>166,377</u>	<u>(801,058)</u>

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Statements of Cash Flows

For the Financial Year Ended 31 December 2021 (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net decrease in cash and cash equivalents	(68,560)	(1,613,684)	(35,940)	(1,509,233)
Cash and cash equivalents at beginning of the year	<u>1,035,238</u>	<u>2,648,922</u>	<u>861,787</u>	<u>2,371,020</u>
Cash and cash equivalents at end of the year	<u>966,678</u>	<u>1,035,238</u>	<u>825,847</u>	<u>861,787</u>
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 4)	<u>966,678</u>	<u>1,035,238</u>	<u>825,847</u>	<u>861,787</u>

The accompanying notes form an integral part of the financial statements

**Bank Pembangunan Malaysia Berhad
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Notes to the Financial Statements - 31 December 2021

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 50.

There have been no significant changes in the nature of the principal activities of the Bank and the subsidiaries 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 10 June 2022.

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 52(c).

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

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. Subsequently, BNM on 17 December 2021 has issued a letter on the Extension of the accounting treatment for modification losses for prescribed DFI for the financial year beginning on or after 1 January 2022. 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 and shall continue to apply for financial year beginning on 1 January 2022 to 31 December 2022.

(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.

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Notes to the Financial Statements - 31 December 2021

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.)

- (ii) *Comparison of accounting treatment in accordance with MFRS and modified accounting treatment (cont'd.)*

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.

- (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 have adopted the modified accounting treatment specified by BNM as detailed above. The modified accounting treatment was applied by the Group and the Bank in its prior financial statements, current financial year ended 31 December 2021 and the next financial year ending 31 December 2022 on loans/financing for which the contractual cash flows are modified during these three financial years, as permitted by BNM.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

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	9,037	-	8,887	-
- Modification loss (net of reversal)	-	261,459	-	261,519
Statements of financial position:				
Loans, financing and advances	16,074,609	15,735,266	15,864,963	15,525,908
Retained profits	2,561,902	2,222,559	2,322,592	1,983,537

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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 2021, the Group and the Bank adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2021.

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

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.

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
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

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

2.3 Standards Issued but not yet Effective (cont'd.)

MFRS 17 Insurance Contract

MFRS 17 Insurance Contracts replaces MFRS 4 Insurance Contract. MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts.

Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17.

Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that are related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

2.3 Standards Issued but not yet Effective (cont'd.)

MFRS 17 Insurance Contract (cont'd.)

The Group has not fully assessed the impact of MFRS 17 on its financial statements, and will complete this process prior to the effective date of 1 January 2023.

Other standards issued but not yet effective

These standards other than as disclosed above 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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

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

(i) Subsidiaries (cont'd.)

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(c). 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.

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.

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Notes to the Financial Statements - 31 December 2021

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.)

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.

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Notes to the Financial Statements - 31 December 2021

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

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.

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.

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Notes to the Financial Statements - 31 December 2021

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.)

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.

(iv) Merger Accounting for Common Control Business Combinations

Acquisitions which result in a business combination involving common control entities, are outside the scope of MFRS 3. Accordingly, merger accounting has been used by the Group to account for such common control business combinations.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. The results of the subsidiaries are accounted and presented from the acquisition date onwards.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the acquiree at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the carrying value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the interests of the controlling party or parties.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

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

(iv) Merger Accounting for Common Control Business Combinations (cont'd.)

When the merger method is used, the cost of investment in the subsidiary is recorded at the nominal value of shares issued, cash and deferred consideration. The difference between the cost of investment in the subsidiary and the carrying value of the net tangible assets of the subsidiary at acquisition date is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included from the acquisition date onwards.

(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 14.

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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

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

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 other comprehensive income ("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.

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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(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's 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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(c) Foreign currency transactions (cont'd.)

(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.

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.

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2. Significant Accounting Policies (cont'd.)

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

(d) Property, plant and equipment (cont'd.)

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.

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2. Significant Accounting Policies (cont'd.)

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

(e) Investment properties (cont'd.)

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.

(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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(g) Leases (cont'd.)

(i) Right-of-use assets

The Group and the Bank recognises right-of-use ("ROU") 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:

Properties	3 years
Other equipment	5 years

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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(g) Leases (cont'd.)

(ii) Lease liabilities (cont'd.)

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.

(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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(h) Financial assets (cont'd.)

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 fair value through profit or loss ("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 fair value through other comprehensive income ("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.

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Notes to the Financial Statements - 31 December 2021

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.)

Business model assessment (cont'd.)

(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'.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition.

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Notes to the Financial Statements - 31 December 2021

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.)

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.

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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 - Amortised cost (cont'd.)

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.

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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 - Amortised cost (cont'd.)

Financing and advances (cont'd.)

Definition of Shariah concept (cont'd.):

- (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.

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.

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2. Significant Accounting Policies (cont'd.)

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

(h) Financial assets (cont'd.)

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 (with 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.

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.

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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 (cont'd.):

- 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.

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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 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.

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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.

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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.)

- 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 apply a 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.

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Notes to the Financial Statements - 31 December 2021

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) Guarantee fee and security

The Group provides financial guarantee insurance over private debt securities and financing facilities for companies incorporated in Malaysia.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(i) Guarantee fee and security (cont'd.)

Bond issuers and/or obligors will pay a guarantee fee to Danajamin Nasional Berhad ("Danajamin"), a subsidiary of the Bank in return for the Group guarantee to cover the outstanding amounts upon a default. The guarantee fee is calculated based on a percentage of the nominal value of the outstanding issue guaranteed amounts and is paid annually in advance.

The Group mitigates the risks associated with its provision of financial guarantee insurance by:

- Securing its exposures against tangible security to be provided by the obligor where possible;
- Establishing designated accounts with specific disbursement conditions which are controlled by Facility/Security Agents; and/or
- Imposing various financial and non-financial covenants on the obligor in ensuring financial discipline.

The Group is also able to impose additional conditions as it deems fit upon the occurrence of a breach in covenant or a material adverse event.

(j) Annual service fees for Danajamin PRIHATIN Guarantee Scheme ("DPGS")

The Group has been appointed by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP") to manage the DPGS on behalf of the Government of Malaysia. In managing the DPGS, the Group charges one time processing fee and annual monitoring fee. The one time processing fee is fully recognised upfront upon the financial institution's acceptance of the letter of approval issued by the Group for the relevant financing facility to be admitted into the DPGS and the issuance of the guarantee certificate by SJPP. The processing fee is charged for the various work performed for deal assessments prior to issuance of the letter of approval. The Group also charges annual monitoring fee for each approved and accepted offer. The monitoring fee is charged annually up to the maturity of the guarantee issued pursuant to the DPGS and is recognised as deferred income. This annual monitoring fee is recognised upon the guarantee commencement date in certificate issued by SJPP and up to the maturity of the guarantee.

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2. Significant Accounting Policies (cont'd.)

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

(k) Financial guarantee insurance results

The financial guarantee insurance results are determined after taking into account commissions, unearned premiums and claims incurred.

Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during the financial period. No insurers licensed under the Financial Services Act ("FSA") effective since 30 June 2013 (previously under the Insurance Act, 1996) are allowed to accept reinsurance of the Group Financial Guarantee Insurance ("FGI") risks. However, the Group cedes insurance risk in the normal course of business for some of its financial guarantees to entities other than insurers licensed under the FSA.

Unearned premium reserve

Unearned premium reserve ("UPR") in respect of FGI policy is determined as an amount calculated on the basis that the premiums written are earned in proportion with the expiration of the exposure. This method is applied consistently to premiums, reduced by the percentage of accounted gross direct commission expenses to corresponding premiums.

Unexpired risk reserve

At each reporting date, the Group reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation is based on the present value of expected loss arising from the Group's guarantee obligations and an allowance for a provision of risk margin for adverse deviation. If these estimates show that the carrying amount of the unearned premiums are inadequate, the deficiency is recognised in profit or loss by setting up a provision for premium deficiency.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(k) Financial guarantee insurance results (cont'd.)

Claim liabilities

Claims liabilities relate to the FGI's obligation, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the valuation date, with appropriate allowance for direct and indirect claims-related expenses that the FGI expects to incur when settling these claims. Upon receipt of a notice of claim, the FGI is obligated to make relevant payments of interest and principal, to investors, in respect of a guaranteed debt obligation. The amount of this obligation, including allowance for appropriate related expenses the FGI expects to incur when paying the interest and principal, determines the claim liabilities.

(l) Reinsurance

The Group through its subsidiary cedes insurance risk in the normal course of business for some of its financial guarantees. Reinsurance assets represent balances due from companies where the insurance risks are ceded. Amounts recoverable from reinsurers are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangement does not relieve the Group from its obligation to bondholders. Premiums are presented on a gross basis for ceded reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting financial period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due to the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

(m) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(m) Financial liabilities (cont'd.)

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.

(n) Financial guarantee insurance liabilities

FGI liabilities are recognised when contracts are entered into and premiums are charged. The FGI liabilities refer to the claims and premium liabilities of the Group through its insurance subsidiary's business, associated with the uncertainty of claims and unexpired risks (with respect to unexpired FGI policies), resulting from the risks of increased claims losses and under-estimation of premiums.

The value of the FGI liabilities is the aggregate of the values of the premium liabilities and the claim liabilities.

Premium liabilities

Premium liabilities refer to the greater of:

- The aggregate of the unearned premium reserve ("UPR"); and
- The best estimate value of the unexpired risk reserve ("URR") at the valuation date and a provision of risk margin for adverse deviation ("PRAD"). The URR is the reserve required to cover for future claims and associated expenses that are expected to emerge during the unexpired period of the FGI guarantee. It is an estimate of the future obligations of the FGI taking into account the likelihood and amount of the interest and principal that the FGI expects to pay in the event of a default of an obligation with allowance for expenses, including overheads and any cost of reinsurance expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and the timing of the payments.

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2. Significant Accounting Policies (cont'd.)

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

(n) Financial guarantee insurance liabilities

Valuation of financial guarantee insurance liabilities shall provide for reserves at a specified level of adequacy with explicit prudential margins. In particular, the liability valuation should aim to secure an overall level of sufficiency of reserves at the 75% confidence level. To secure this level of adequacy, the Group calculates the best estimate value of its FGI liabilities and apply a PRAD.

Claims liabilities

Claims liabilities relate to expired periods of exposure and earned premiums. Claim liabilities are obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at the valuation date, with appropriate allowance for expected claims-related expenses.

The claims liability consists of two reserves. These being:

- A reported but not admitted ("RBNA") claims reserve, which is the reserve held in respect of claims notified to the Group which the Group has not accepted; and
- An incurred but not reported ("IBNR") claims reserve, which is the reserve held in respect of defaults that have occurred, but where the Group has not been notified of the default.

The financial positions of the companies insured are monitored on an ongoing basis and any default would be highlighted immediately.

(o) Bills and acceptance payable

Bills and acceptance payable represents the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

(p) 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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(p) Equity instruments (cont'd.)

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.

(q) 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's and the Bank's contribution to the Employees Provident Fund ("EPF") 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.

(r) 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.

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2. Significant Accounting Policies (cont'd.)

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

(r) Government grants (cont'd.)

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.

(s) 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.

(t) 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.

(u) 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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(u) Disposal groups and assets held for sale (cont'd.)

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.

(v) 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.

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2. Significant Accounting Policies (cont'd.)

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

(v) Revenue (cont'd.)

(i) Interest/finance income and similar income (cont'd.)

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.

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2. Significant Accounting Policies (cont'd.)

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

(v) Revenue (cont'd.)

(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) Other revenue recognition

The Group charges other guarantee related fees such as upfront fees and processing fees arising from Financial Guarantee Insurance ("FGI") contracts separately from the guarantee premium.

Upfront fee is charged by the Group on various work performed for deal assessments prior to new issuance of FGI contract. Upfront fee is recognised upon the Group committing to provide financial guarantee contract and obligors accepting the Group offer to provide such commitment. The upfront fee is recognised over the period which the Group is committed to provide the FGI contract, and is based on the earlier of validity period of the Group commitment or expected drawdown/issuance of debt facilities. The upfront fee is non-refundable. There is no element of significant financing as the period of commitment is wholly upon the discretion of the obligors.

(v) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(w) 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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(w) Income Taxes (cont'd.)

(i) Current tax (cont'd.)

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.

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Notes to the Financial Statements - 31 December 2021

2. Significant Accounting Policies (cont'd.)

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

(w) Income Taxes (cont'd.)

(ii) Deferred tax (cont'd.)

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.

(x) 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.

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.

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3. Significant Accounting Judgements and Estimates (cont'd.)

Judgements (cont'd.)

(a) Impairment of financial investments portfolio (Note 7 and Note 42)

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.

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3. Significant Accounting Judgements and Estimates (cont'd.)

Judgements (cont'd.)

(b) Impairment of loans, financing and advances (Note 8 and Note 41)

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 pandemic in 2021;
- (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.

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 2021.

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.

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3. Significant Accounting Judgements and Estimates (cont'd.)

Judgements (cont'd.)

(b) Impairment of loans, financing and advances (Note 8 and Note 41) (cont'd.)

Overlays and adjustments for ECL amid COVID-19 environment (cont'd.)

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 pandemic 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 pandemic. The impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount of RM322.0 million (2020: RM273.8 million) representing 9.3% (2020: 8.8%) of total ECL of the Bank as at 31 December 2021. Management overlays made amounting to RM323.5 million (2020: RM274.8 million) representing 9.3% (2020: 8.7%) of total ECL of the Group as at 31 December 2021.

(c) Impairment of investment in subsidiaries (Note 12), interest in associates (Note 13) and JV (Note 14)

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 the 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

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3. Significant Accounting Judgements and Estimates (cont'd.)

Judgements (cont'd.)

(c) Impairment of investment in subsidiaries (Note 12), interest in associates (Note 13) and JV (Note 14) (cont'd.)

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 (cont'd.):

- (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 15, Note 17 and Note 18(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.

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 following:

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Notes to the Financial Statements - 31 December 2021

3. Significant Accounting Judgements and Estimates (cont'd.)

Estimates (cont'd.)

(a) Allowance for impairment of investment in subsidiaries (Note 12), interest in associates (Note 13) and JV (Note 14)

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 43)

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 18) - 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).

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Notes to the Financial Statements - 31 December 2021

3. Significant Accounting Judgements and Estimates (cont'd.)

Estimates (cont'd.)

(d) Valuation of financial guarantee insurance liabilities

The Group is subject to BNM's Guidelines in valuing its FGI liabilities that is further described in Note 2.4(n).

The FGI liabilities comprise:

- The best estimate value of the claim liabilities;
- The best estimate value of the premium liabilities; and
- The PRAD for each of the above best estimate values.

The best estimate value should reflect the statistical central estimate of the underlying distribution of the FGI liabilities. The statistical central estimate is equal to the mean of reasonable expected outcomes.

The calculation of the best estimate claims liabilities and premium liabilities are subject to considerations of materiality.

(i) Best estimates of claim liabilities

The claims liability consists of two reserves; reported but not admitted ("RBNA") claims reserve and an incurred but not reported ("IBNR") claims reserve as described in Note 2.4(n).

The RBNA reserve is calculated by determining the reserve for each reported claim and then aggregating the individual reserves. The reserve in respect of each reported claim is determined by calculating the best estimate of future payments net of expected future recoveries, allowing for claims-related expenses.

The IBNR is, in general, determined similarly to the RBNA where the best estimate of future payments net of expected future recoveries is estimated while allowing for claim-related expenses. However, adjustments may be made on a case-by-case basis as the status of the default develops.

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Notes to the Financial Statements - 31 December 2021

3. Significant Accounting Judgements and Estimates (cont'd.)

Estimates (cont'd.)

(d) Valuation of financial guarantee insurance liabilities (cont'd.)

(i) Best estimates of claim liabilities (cont'd.)

Incurred But Not Reported

(i) Methodology

- In general, the IBNR shall be the amount of outstanding principal due to the bondholders plus the value of one coupon for the claim in question.
- This amount may be reduced by the value of any cash collateral that has been deposited in the designated accounts.
- The IBNR may be adjusted on a case-by-case basis as and when necessary to reflect the latest development of the default.

(ii) Assumptions

- Other tangible collateral pledged to the Group will require time to realise, hence no value is ascribed to those collateral when the IBNR is established.

(ii) Best estimates of premium liabilities

Premium liabilities relate to unexpired periods of exposure and unearned premiums. The best estimate premium liabilities amount is the higher of:

- the unearned premium reserve ("UPR"); and
- the best estimate value of the unexpired risk reserve ("URR") at the valuation date plus the PRAD for unexpired risks.

Unearned premium reserve

(i) Methodology

- The UPR established reflect unearned portion of premiums received to date, plus future premiums receivable under the FGI policies issued at the valuation date.
- The UPR reserve is amortised over the term of the FGI policies.
- A premium receivable is established in respect of future premiums receivable under the FGI policies issued at the valuation date.

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Notes to the Financial Statements - 31 December 2021

3. Significant Accounting Judgements and Estimates (cont'd.)

Estimates (cont'd.)

(d) Valuation of financial guarantee insurance liabilities (cont'd.)

(ii) Best estimates of premium liabilities (cont'd.)

Unearned premium reserve (cont'd.)

(ii) Assumptions

- The claims profile of the portfolio is approximately uniform over the contract term.

Unexpired risk reserve

(i) Methodology

- The URR is calculated using a stochastic credit reserving model.
- For each FGI policy, a transition matrix is used to randomly simulate changes in the credit ratings of the issuer on a yearly basis.
- The probability of the issuer defaulting over a one year period is assigned based on the risk rating of the issuer.
- The model then randomly simulates on the issuer defaulting in the remaining term of the issuance using the risk ratings and the corresponding probabilities of default.
- The loss incurred is randomly simulated should the issuer default and the present value is determined.
- The steps are repeated for each FGI policy and the present value of future defaults for each FGI policy is accumulated to determine the portfolio losses.
- The simulation is repeated 100,000 times to construct a distribution of portfolio losses and the average outcome is calculated to determine the URR.

The best estimate URR reflects the aggregate value of expected claim on each FGI policy over the period from the valuation date until the expiry of that policy.

The URR calculation for the current financial year has taken into account the Covid-19 pandemic impact assessments which included adjustments to obligor's credit rating and valuation of its collaterals/securities.

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3. Significant Accounting Judgements and Estimates (cont'd.)

Estimates (cont'd.)

(d) Valuation of financial guarantee insurance liabilities (cont'd.)

(ii) Best estimates of premium liabilities (cont'd.)

Unexpired risk reserve (cont'd.)

(ii) Assumptions

The following assumptions have been adopted:

- Multiple FGI policies can be issued under the one FGI facility agreement.
- The calculation of URR does not allow for FGI policies that are expected to be issued in the future.
- Correlation between the bond issuer ratings is allowed for using an Asset Value Model approach.
- The recovery rate is assumed to be described by the Beta distribution.
- Correlation between the recovery rates on the different FGI facilities is not allowed.
- The model assumes the average recovery rate is partially sensitive to the level of security provided.
- The allowance for policy administration expenses is made outside the model. The policy administration allowance is determined by multiplying the policy administration expense assumption by the UPR.
- Claim handling expenses are implicitly allowed via the recovery rate assumption adopted.

(iii) Best estimate of the provision of risk margin for adverse deviation ("PRAD")

(i) Methodology

- PRAD is determined for claims liability and the URR separately.
- The claims liability PRAD depends on nature of claims notified. In the event where full provision has been made against a particular claim, the corresponding PRAD will be set to zero as there is no potential for future claims escalation.
- The URR PRAD is determined using the distribution of portfolio losses calculated by the credit risk reserving model and has been set at the 75% confidence level.

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3. Significant Accounting Judgements and Estimates (cont'd.)

Estimates (cont'd.)

(d) Valuation of financial guarantee insurance liabilities (cont'd.)

(iii) Best estimate of the provision of risk margin for adverse deviation ("PRAD") (cont'd.)

(i) Methodology (cont'd.)

- The approach for determining the URR PRAD will be reviewed as the size of the FGI portfolio grows. Volatility in the PRAD as a percentage of the best estimate is expected at this stage in operations.

(ii) Assumptions

- The PRAD calculation does not allow for future FGI policies signed at the valuation date.

(iv) Reinsurance

The FGI liabilities is determined gross of reinsurance, with a reinsurance asset held on the statement of financial position of the Group.

(i) Methodology

- The methodology for determining is consistent with that adopted for the FGI liabilities.

(ii) Assumptions

- No adjustment is made to the reinsurance asset to reflect the risk of the reinsurer defaulting as it is not considered material to the Group operations.

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4. Cash and Short Term Deposits

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash and balances with other financial institutions	16,220	13,425	3,501	2,998
Money at call and deposit placements maturing within one month	950,458	1,021,813	822,346	858,789
	<u>966,678</u>	<u>1,035,238</u>	<u>825,847</u>	<u>861,787</u>

5. Deposits and Placements with Financial Institutions

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	<u>2,124,567</u>	<u>185,772</u>	<u>258,154</u>	<u>51,137</u>

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	
	2021	2020	2021	2020
WAEIR (%)	<u>2.01</u>	<u>1.91</u>	<u>1.78</u>	<u>1.83</u>
Average maturity (Days)	<u>142</u>	<u>72</u>	<u>22</u>	<u>32</u>

6. Financial Investments at FVTPL

	Group and Bank	
	2021	2020
	RM'000	RM'000
At fair value		
Equity Securities:		
Unquoted shares	<u>14,863</u>	<u>45,566</u>
Total financial investments at FVTPL	<u>14,863</u>	<u>45,566</u>

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6. Financial Investments at FVTPL (cont'd.)

Included in the financial investments at FVTPL for the current and prior financial years 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At fair value				
Debt Instruments:				
Money market instruments:				
Malaysia government securities	20,514	-	-	-
Government investment issues	2,394,647	2,225,971	2,298,841	2,225,971
Cagamas	15,082	46,058	10,008	46,058
	<u>2,430,243</u>	<u>2,272,029</u>	<u>2,308,849</u>	<u>2,272,029</u>
Unquoted securities:				
Corporate bonds and sukuk	3,509,405	3,749,837	2,896,447	3,749,837
	<u>3,509,405</u>	<u>3,749,837</u>	<u>2,896,447</u>	<u>3,749,837</u>
Equity Securities:				
Quoted shares	10,280	109,672	10,280	109,672
	<u>10,280</u>	<u>109,672</u>	<u>10,280</u>	<u>109,672</u>
Total financial investments at FVOCI	<u>5,949,928</u>	<u>6,131,538</u>	<u>5,215,576</u>	<u>6,131,538</u>

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7. Financial Investments at FVOCI (cont'd.)

Movements in allowances for impairment which reflect the ECL allowance are as follows:

Group	Lifetime ECL			Total
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
2021				RM'000
At 1 January	541	65,108	-	65,649
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	-	-
Acquisition of a subsidiary	1,137	-	-	1,137
Net allowance made	193	51,408	-	51,601
New financial investments purchased	93	-	-	93
Net allowance made	100	51,408	-	51,508
At 31 December	1,367	117,020	-	118,387
2020				
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

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7. Financial Investments at FVOCI (cont'd.)

Movements in allowances for impairment which reflect the ECL allowance are as follows (cont'd.):

Bank	Lifetime ECL			Total
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
2021				RM'000
At 1 January	541	65,108	-	65,649
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	-	-
Net allowance made	190	51,408	-	51,598
New financial investments purchased	85	-	-	85
Net allowance made	105	51,408	-	51,513
At 31 December	227	117,020	-	117,247
2020				
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

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8. Loans, Financing and Advances

At amortised cost	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Loans, financing and advances to industries:				
Government guaranteed	-	86,705	-	86,705
Others	19,558,786	18,646,480	19,306,997	18,427,946
	<u>19,558,786</u>	<u>18,733,185</u>	<u>19,306,997</u>	<u>18,514,651</u>
Loans, financing and advances to others:				
Staff loan/financing	3,745	4,649	3,745	4,649
	<u>3,745</u>	<u>4,649</u>	<u>3,745</u>	<u>4,649</u>
Gross loans, financing and advances	19,562,531	18,737,834	19,310,742	18,519,300
Allowance for impairment on loans, financing and advances				
- Stage 1: 12-Month ECL	(1,479,435)	(1,135,555)	(1,473,173)	(1,129,228)
- Stage 2: Lifetime ECL not credit impaired	(686,144)	(675,650)	(683,915)	(673,057)
- Stage 3: Lifetime ECL credit impaired	(1,322,343)	(1,342,560)	(1,288,691)	(1,322,598)
	<u>(3,487,922)</u>	<u>(3,153,765)</u>	<u>(3,445,779)</u>	<u>(3,124,883)</u>
Net loans, financing and advances	<u>16,074,609</u>	<u>15,584,069</u>	<u>15,864,963</u>	<u>15,394,417</u>

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8. Loans, Financing and Advances (cont'd.)

(i) Loans, financing and advances analysed by type are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	8,517	43,558	7,387	43,558
Murabahah	-	8,315	-	8,315
Istisna'	1,320,648	1,511,340	1,320,648	1,511,340
Ijarah Muntahiyah bi Tamlik	95,584	64,583	1,226	1,222
Tawarruq financing asset	13,873,670	11,266,928	13,860,378	11,244,891
Tawarruq financing working capital	393,400	269,323	393,400	269,323
Tawarruq revolving working capital	130,341	130,339	130,341	130,339
Factoring-i	36,359	30,059	-	-
Hire purchase-i	10,942	7,841	-	-
Term loan	3,593,088	5,218,746	3,591,490	5,216,018
Revolving working capital	2,127	89,645	2,127	89,645
Factoring	45,090	17,936	-	-
Hire purchase	49,007	70,172	-	-
Leasing	13	4,400	-	-
Staff loan/financing	3,745	4,649	3,745	4,649
Gross loans, financing and advances	19,562,531	18,737,834	19,310,742	18,519,300
Allowance for impairment on loans, financing and advances:				
- Stage 1: 12-Month ECL	(1,479,435)	(1,135,555)	(1,473,173)	(1,129,228)
- Stage 2: Lifetime ECL not credit impaired	(686,144)	(675,650)	(683,915)	(673,057)
- Stage 3: Lifetime ECL credit impaired	(1,322,343)	(1,342,560)	(1,288,691)	(1,322,598)
	(3,487,922)	(3,153,765)	(3,445,779)	(3,124,883)
Net loans, financing and advances	16,074,609	15,584,069	15,864,963	15,394,417

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8. Loans, Financing and Advances (cont'd.)

(ii) Loans, financing and advances analysed by type of borrowers/customers are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprises	19,557,657	18,732,056	19,306,997	18,514,651
Individuals	4,874	5,778	3,745	4,649
	<u>19,562,531</u>	<u>18,737,834</u>	<u>19,310,742</u>	<u>18,519,300</u>

(iii) Loans, financing and advances analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Housing loans/financing	4,874	5,778	3,745	4,649
Hire purchase receivables	59,949	78,014	-	-
Other fixed rate loans/financing	10,473,480	10,176,901	10,282,769	10,037,510
Variable rate:				
Cost plus	3,501,328	5,920,780	3,501,328	5,920,780
Other variable rates	5,522,900	2,556,361	5,522,900	2,556,361
	<u>19,562,531</u>	<u>18,737,834</u>	<u>19,310,742</u>	<u>18,519,300</u>

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8. Loans, Financing and Advances (cont'd.)

(iv) Loans, financing and advances analysed by industry are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting and forestry	-	11	-	-
Construction	9,308,535	9,802,696	9,308,535	9,800,246
Education	1,599,556	1,728,466	1,599,556	1,728,466
Electricity, gas and water supply	558,409	153,769	551,774	153,769
Finance, insurance/takaful and business	72,559	134,486	-	-
Hotel and restaurants	1,478,724	1,311,713	1,410,111	1,267,654
Housing	4,874	5,778	3,745	4,649
Manufacturing	310,110	312,926	310,110	309,236
Marine related	483,143	325,628	483,143	325,628
Medical and pharmaceuticals	2,269	17,020	2,269	17,020
Other community, social and personal service activities	473,690	439,973	416,756	434,712
Public administration and defence	20,964	8,281	20,964	8,281
Real estate, renting and business activities	1,407,301	371,813	1,407,301	371,813
Shipping	1,035,218	1,067,439	1,035,218	1,067,439
Shipyard	130,341	130,339	130,341	130,339
Transport, storage and communication	2,676,838	2,927,496	2,630,919	2,900,048
	19,562,531	18,737,834	19,310,742	18,519,300

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8. Loans, Financing and Advances (cont'd.)

(v) The maturity structure of loans, financing and advances is as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	2,241,853	2,413,926	2,134,485	2,329,761
One year to three years	2,678,030	2,514,398	2,607,382	2,428,184
Three years to five years	3,277,967	2,429,679	3,204,194	2,381,524
Over five years	11,364,681	11,379,831	11,364,681	11,379,831
	<u>19,562,531</u>	<u>18,737,834</u>	<u>19,310,742</u>	<u>18,519,300</u>

(vi) Loans, financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Within Malaysia	<u>19,562,531</u>	<u>18,737,834</u>	<u>19,310,742</u>	<u>18,519,300</u>

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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
2021				
At 1 January	14,898,353	1,723,153	2,116,328	18,737,834
- Transfer to 12-month ECL (Stage 1)	50,861	(31,852)	(19,009)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(286,249)	365,675	(79,426)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(92,026)	(128,554)	220,580	-
Remeasurement, net	1,647,263	272,573	(48,026)	1,871,810
New accounts	1,067,208	3,415	-	1,070,623
Matured accounts	(1,986,093)	(793)	(12,136)	(1,999,022)
Written-off	-	-	(118,714)	(118,714)
At 31 December	<u>15,299,317</u>	<u>2,203,617</u>	<u>2,059,597</u>	<u>19,562,531</u>
2020				
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	<u>14,898,353</u>	<u>1,723,153</u>	<u>2,116,328</u>	<u>18,737,834</u>

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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
2021				
At 1 January	14,739,219	1,686,162	2,093,919	18,519,300
- Transfer to 12-month ECL (Stage 1)	32,571	(13,907)	(18,664)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(273,988)	353,414	(79,426)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(82,684)	(124,429)	207,113	-
Remeasurement, net	1,398,492	292,357	(47,546)	1,643,303
New accounts	834,204	-	-	834,204
Matured accounts	(1,556,616)	-	(10,735)	(1,567,351)
Written-off	-	-	(118,714)	(118,714)
At 31 December	<u>15,091,198</u>	<u>2,193,597</u>	<u>2,025,947</u>	<u>19,310,742</u>
2020				
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	<u>14,739,219</u>	<u>1,686,162</u>	<u>2,093,919</u>	<u>18,519,300</u>

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8. Loans, Financing and Advances (cont'd.)

(viii) Impaired loans, financing and advances analysed by industry are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Construction	378,337	375,694	378,337	375,662
Education	23,829	57,037	23,829	57,037
Electricity, gas and water supply	154,589	30,054	154,589	30,054
Hotel and restaurants	681,863	711,306	663,094	698,167
Manufacturing	49,561	70,617	49,561	70,617
Medical and pharmaceuticals	2,268	17,020	2,268	17,020
Other community, social and personal service activities	123,401	124,036	120,205	121,306
Shipping	501,999	592,230	501,999	592,230
Transport, storage and communication	143,750	138,334	132,065	131,826
	<u>2,059,597</u>	<u>2,116,328</u>	<u>2,025,947</u>	<u>2,093,919</u>
Gross impaired loans, financing and advances as a % of gross loans, financing and advances	<u>10.53%</u>	<u>11.29%</u>	<u>10.49%</u>	<u>11.31%</u>

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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 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2021				
At 1 January	1,135,555	675,650	1,342,560	3,153,765
- Transfer to 12-month ECL (Stage 1)	18,354	(5,525)	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,664)	91,695	(59,031)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(100,876)	114,947	-
Allowance made, net	372,261	25,200	46,602	444,063
Amount written off	-	-	(109,906)	(109,906)
At 31 December	<u>1,479,435</u>	<u>686,144</u>	<u>1,322,343</u>	<u>3,487,922</u>
2020				
At 1 January	870,590	270,967	1,395,452	2,537,009
- Transfer to 12-month ECL (Stage 1)	63,881	(63,881)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(133,333)	133,333	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(38)	(162)	200	-
Allowance made, net	334,455	335,393	22,052	691,900
Amount written off	-	-	(75,144)	(75,144)
At 31 December	<u>1,135,555</u>	<u>675,650</u>	<u>1,342,560</u>	<u>3,153,765</u>

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8. Loans, Financing and Advances (cont'd.)

(ix) Movements in the allowance for impairment of 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
2021				
At 1 January	1,129,228	673,057	1,322,598	3,124,883
- Transfer to 12-month ECL (Stage 1)	18,147	(5,318)	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	91,853	(59,031)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	-
Allowance made, net	372,691	18,245	39,866	430,802
Amount written off	-	-	(109,906)	(109,906)
At 31 December	<u>1,473,173</u>	<u>683,915</u>	<u>1,288,691</u>	<u>3,445,779</u>
2020				
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	<u>1,129,228</u>	<u>673,057</u>	<u>1,322,598</u>	<u>3,124,883</u>

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9. Insurance Receivables

	Group	
	2021	2020
	RM'000	RM'000
Premium receivables	196,759	-
Guarantee fee related receivables	400	-
Less: Allowance for doubtful debts	(400)	-
	-	-
Total insurance receivables	196,759	-
Receivable within 12 months	40,946	-
Receivable after 12 months	155,813	-
	196,759	-
Gross/net amount of recognised financial assets presented in the statement of financial position	196,759	-

There are no financial liabilities subject to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral as at 31 December 2021 (2020: Nil)

10. Reinsurance Assets

	Group	
	2021	2020
	RM'000	RM'000
Reinsurance assets	642	-
Receivable within 12 months	407	-
Receivable after 12 months	235	-
	642	-

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11. Other Assets

	Note	Group 2021 RM'000	2020 RM'000	Bank 2021 RM'000	2020 RM'000
Sundry receivables, deposits and prepayments	(i)	317,434	310,489	8,145	7,509
Less: Allowance for doubtful debts	(ii)	(292,704)	(292,976)	(562)	(647)
		<u>24,730</u>	<u>17,513</u>	<u>7,583</u>	<u>6,862</u>
Amount due from subsidiaries		-	-	252	1,767
Amount receivable from Government in respect of compensation for:					
Infrastructure projects		196,207	146,937	196,207	146,937
Foreign exchange differences		85,361	85,361	85,361	85,361
Claim recoverable	(iii)	27,303	-	-	-
Tax recoverable		75,962	35,547	48,447	22,725
		<u>409,563</u>	<u>285,358</u>	<u>337,850</u>	<u>263,652</u>

- (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 RM280,185,000 (2020: RM289,563,000).

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11. Other Assets (cont'd.)

(ii) Allowance for doubtful debts

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	292,976	292,910	647	581
Allowance for ex-staff loan/ financing:				
Stage 1 - 12-month ECL, net	(1)	1	(1)	1
Stage 3 - Lifetime ECL credit impaired, net	(84)	78	(84)	78
Recovered during the financial year:				
- Tenants	-	(13)	-	(13)
- Factoring	(30)	-	-	-
Amount written off	(157)	-	-	-
At 31 December	<u>292,704</u>	<u>292,976</u>	<u>562</u>	<u>647</u>

- (iii) A subsidiary recognised claim recoverable amounting to RM27,302,597 during the year representing distribution settlement amount receivable from the corporate guarantor of the obligor which the subsidiary fully settled the claim on 6 March 2020. Subsequent to the year end, the claim recoverable was received by the subsidiary on 27 January 2022 as disclosed in Note 57.

12. Investments in Subsidiaries

	Bank	
	2021	2020
	RM'000	RM'000
Unquoted shares, at cost	922,939	922,939
Additional capital contribution due to waiver of debt	68,750	68,750
Acquisition of a subsidiary (Note 51)	1,907,417	-
	<u>2,899,106</u>	<u>991,689</u>
Less: Allowance for impairment on investments in subsidiaries	<u>(730,167)</u>	<u>(736,922)</u>
	<u>2,168,939</u>	<u>254,767</u>

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12. Investments in Subsidiaries (cont'd.)

	Bank	
	2021	2020
	RM'000	RM'000
Movement of allowance for impairment:		
As at 1 January	736,922	736,263
Amount provided during the year	-	659
Amount written back during the year	(6,755)	-
At 31 December	<u>730,167</u>	<u>736,922</u>

* Refer to Note 50 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	
	2021	2020
	RM'000	RM'000
Non current assets	5,456	5,060
Current assets	108,563	100,478
Total assets	<u>114,019</u>	<u>105,538</u>
Current liabilities	9,058	8,130
Total liabilities	<u>9,058</u>	<u>8,130</u>
Net assets	<u>104,961</u>	<u>97,408</u>
Equity attributable to the owners of the company	<u>102,114</u>	<u>94,659</u>
Carrying value of non-controlling interests	<u>2,847</u>	<u>2,749</u>

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12. Investments in Subsidiaries (cont'd.)

(a) Subsidiary with significant non-controlling interest (cont'd.)

(ii) Summarised statement of comprehensive income

	GMVB	
	2021	2020
	RM'000	RM'000
Other income	14,726	2,335
Administrative expenses	(6,975)	(587)
Share of (loss)/profit of joint ventures and associates	(2)	4
Gain on deconsolidation of dissolve companies	-	59
Profit before taxation	7,749	1,811
Taxation	(497)	(599)
Zakat	(83)	(1,532)
Profit/(loss) for the year	7,169	(320)

Other comprehensive income/(loss):

Other comprehensive income/(loss) to be
reclassified to profit or loss in subsequent periods:

Foreign currency translation reserve	384	(179)
	384	(179)

**Total comprehensive income/(loss) for
the year**

	7,553	(499)
--	--------------	--------------

	GMVB	
	2021	2020
	RM'000	RM'000
Profit/(loss) for the year attributable to:		
Equity holders of the parent	7,186	(302)
Non-controlling interest	(17)	(18)
	7,169	(320)

Total comprehensive income/(loss) attributable to:

Equity holders of the parent	7,455	(427)
Non-controlling interest	98	(72)
	7,553	(499)

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12. Investments in Subsidiaries (cont'd.)

(a) Subsidiary with significant non-controlling interest (cont'd.)

(iii) Summarised statement of cash flows

	GMVB	
	2021	2020
	RM'000	RM'000
Net cash generated from/(used in) operating activities	7,502	(2,025)
Net cash used in investing activities	(15,820)	(47,744)
Net decrease in cash and cash equivalents	(8,318)	(49,769)
Cash and cash equivalents at beginning of the year	24,911	74,680
Cash and cash equivalents at the end of the year	16,593	24,911

(b) Dissolution of subsidiaries

During financial year ended 2021, no subsidiaries had been dissolved and deconsolidated.

In the prior year, 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
Assets	
Tax recoverable	22
Cash and bank balances	267
	<u>289</u>
Liabilities	
Payable and accruals	72
	<u>72</u>
Net assets	<u>217</u>

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12. Investments in Subsidiaries (cont'd.)

(b) Dissolution of subsidiaries (cont'd.)

	At the date of dissolution RM'000
Capital distribution received	276
Net identifiable assets disposed @ 100%	(217)
Gain on deconsolidation	59
	<u>59</u>

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)
	<u>(267)</u>

13. Interest in Associates

	Group 2021 RM'000	2020 RM'000
At cost:		
Unquoted ordinary shares	300	300
Group's share of post acquisition reserve	241	243
	<u>541</u>	<u>543</u>

Details of the associates incorporated in Malaysia are as follows:

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2021 %	2020 %	
Held through GMVB, a subsidiary:			
Wawasan Bulk Services Sdn Bhd	27.0	27.0	Ship management

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13. Interest in Associates (cont'd.)

Details of the associates incorporated in Malaysia are as follows:

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
Held through SME Growth Acceleration Fund Sdn Bhd ("SME GAF"), a subsidiary:			
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.

The summarised financial statements of the associates not adjusted for the proportion of ownership interest held by the Group are as follows:

(a) Summarised statement of financial position

	Group	
	2021	2020
	RM'000	RM'000
Total assets	2,060	2,018
Total liabilities	256	208

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13. Interest in Associates (cont'd.)

	Group	
	2021	2020
	RM'000	RM'000
(b) Summarised statement of profit or loss		
Revenue	-	26
Loss for the year	(11)	(4)
	<u> </u>	<u> </u>
(c) Reconciliation of the summarised financial information		
Net assets at 1 January	1,810	1,796
Loss for the financial year	(11)	(4)
Other comprehensive income	5	18
Net assets at 31 December	<u>1,804</u>	<u>1,810</u>
Interest in associates	30%	30%
Carrying value of Group's interest in associates	<u>541</u>	<u>543</u>

14. Interest in Joint Ventures

	Group	
	2021	2020
	RM'000	RM'000
At cost:		
Unquoted ordinary shares	11,274	11,274
Group's share of post acquisition deficit	(11,274)	(11,274)
	<u> </u>	<u> </u>
Advances to JV:		
Within 1 year	8,412	8,412
Less: Allowance for doubtful debts	(8,412)	(8,412)
	<u> </u>	<u> </u>

The advances to JV bear an interest of 5% (2020: 5%) per annum and are repayable on a quarterly basis over a period of 1 year.

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14. Interest in Joint Ventures (cont'd.)

Details of the JV are as follows:

Name of JV (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2021 %	2020 %	
Held through GMVB, a subsidiary:			
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

The aggregate current assets, current liabilities and result of the JV are as follows:

(a) Summarised statement of financial position

	2021 RM'000	2020 RM'000
Assets:		
Current assets	15,516	56,244
Total assets	<u>15,516</u>	<u>56,244</u>
Liabilities:		
Current liabilities	58,255	89,201
Total liabilities	<u>58,255</u>	<u>89,201</u>
Net liabilities	<u>(42,739)</u>	<u>(32,957)</u>

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14. Interest in Joint Ventures (cont'd.)

The aggregate current assets, current liabilities and result of the JV are as follows (cont'd.):

(b) Summarised statement of profit or loss

	2021	2020
	RM'000	RM'000
Revenue	-	-
Cost of sales	(7,466)	(7,562)
Gross loss	(7,466)	(7,562)
Other income	119	3,906
Operating expenses	(503)	(13,297)
Loss from operations	(7,850)	(16,953)
Finance costs	(1,932)	(741)
Loss before taxation	(9,782)	(17,694)
Taxation	-	-
Loss for the year	(9,782)	(17,694)

(c) Reconciliation of the summarised financial information

	2021	2020
	RM'000	RM'000
Net liabilities at 1 January	(32,957)	(15,263)
Loss for the year	(9,782)	(17,694)
Net liabilities at 31 December	(42,739)	(32,957)
Interests in joint ventures	25,643	3,439
Carrying value of Group's interest in joint ventures	(17,096)	(29,518)
Less: Cumulative unrecognised losses b/f	29,518	22,549
Share of unrecognised losses for the year	(12,422)	6,969
Net carrying value of Group's interest in joint ventures	-	-

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15. 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
2021								
Cost								
At 1 January	17,973	71,617	30,300	2,116	2,978	46,217	1,114	172,315
Additions	-	-	4,514	-	-	43	326	4,883
Reclassification	-	-	129	-	-	493	(622)	-
Disposals/write-off	-	-	(205)	-	-	(5)	-	(210)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(536)	(536)
Acquisition of a subsidiary	-	-	2,189	5	2,460	3,946	-	8,600
At 31 December	17,973	71,617	36,927	2,121	5,438	50,694	282	185,052
Accumulated depreciation								
At 1 January	-	18,151	25,119	1,177	2,863	40,583	-	87,893
Charge for the year	-	1,431	1,589	356	116	1,194	-	4,686
Charge borne by a related party	-	-	-	-	-	1	-	1
Disposals/write-off	-	-	(121)	-	-	(5)	-	(126)
Acquisition of a subsidiary	-	-	2,087	(2)	2,452	3,666	-	8,203
At 31 December	-	19,582	28,674	1,531	5,431	45,439	-	100,657
Net carrying amount	17,973	52,035	8,253	590	7	5,255	282	84,395

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15. Property, Plant and Equipment (cont'd.)

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
2020								
Cost								
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
Reclassification	-	-	-	-	-	5,847	(5,847)	-
Disposals/write-off	-	-	-	(336)	-	-	-	(336)
At 31 December	17,973	71,617	30,300	2,116	2,978	46,217	1,114	172,315
Accumulated depreciation								
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
Net carrying amount	17,973	53,466	5,181	939	115	5,634	1,114	84,422

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15. Property, Plant and Equipment (cont'd.)

Bank	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	Total RM'000
2021								
Cost								
At 1 January	17,973	71,617	26,834	1,749	2,949	46,217	1,114	168,453
Additions	-	-	4,415	-	-	43	326	4,784
Reclassification	-	-	129	-	-	493	(622)	-
Disposals/write off	-	-	(122)	-	-	-	-	(122)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(536)	(536)
At 31 December	17,973	71,617	31,256	1,749	2,949	46,753	282	172,579
Accumulated depreciation								
At 1 January	-	18,151	21,893	812	2,834	40,583	-	84,273
Charge for the year	-	1,431	1,494	350	115	1,147	-	4,537
Disposals/write off	-	-	(38)	-	-	-	-	(38)
At 31 December	-	19,582	23,349	1,162	2,949	41,730	-	88,772
Net carrying amount	17,973	52,035	7,907	587	-	5,023	282	83,807

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15. Property, Plant and Equipment (cont'd.)

Bank	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	Total RM'000
2020								
Cost								
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
Reclassification	-	-	-	-	-	5,847	(5,847)	-
Disposals/write off	-	-	-	(336)	-	-	-	(336)
At 31 December	17,973	71,617	26,834	1,749	2,949	46,217	1,114	168,453
Accumulated depreciation								
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
Net carrying amount	17,973	53,466	4,941	937	115	5,634	1,114	84,180

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16. Investment Properties

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January	382	382	382	382
At 31 December	382	382	382	382
Depreciation				
At 1 January	52	45	52	45
Charge for the year	8	7	8	7
At 31 December	60	52	60	52
Carrying amount	322	330	322	330
	Group	Bank		
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Included in the above are:				
Buildings	322	330	322	330
	322	330	322	330

- (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 RM560,000 (2020: RM400,000) and RM560,000 (2020: RM400,000) respectively which have been determined by an accredited independent valuer.

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17. Intangible Assets

	Computer software			
	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January	35,838	33,881	31,745	29,792
Addition	3,705	1,957	3,427	1,953
Transfer from property, plant and equipment (Note 15)	536	-	536	-
Acquisition of a subsidiary	7,438	-	-	-
At 31 December	47,517	35,838	35,708	31,745
Amortisation				
At 1 January	29,728	27,091	25,700	23,196
Amortisation charged	2,642	2,637	2,530	2,504
Amortisation borne by a related party	2	-	-	-
Acquisition of a subsidiary	7,123	-	-	-
At 31 December	39,495	29,728	28,230	25,700
Carrying amount	8,022	6,110	7,478	6,045

18. Leases

- (a) The carrying amounts of right-of-use assets recognised and the movements during the year:

Group	Properties	Other equipment	Total
2021	RM'000	RM'000	RM'000
Cost			
At 1 January	-	669	669
Addition	-	87	87
Matured	-	(247)	(247)
Acquisition of a subsidiary	4,367	-	4,367
At 31 December	4,367	509	4,876

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18. Leases (cont'd.)

- (a) The carrying amounts of right-of-use assets recognised and the movements during the year (cont'd.):

Group	Properties RM'000	Other equipment RM'000	Total RM'000
2021			
Depreciation			
At 1 January	-	338	338
Charge for the year	216	165	381
Charge borne by related party	6	-	6
Matured for the year	-	(247)	(247)
Acquisition of a subsidiary	3,552	-	3,552
At 31 December	<u>3,774</u>	<u>256</u>	<u>4,030</u>
Carrying amount	<u>593</u>	<u>253</u>	<u>846</u>
		Other equipment RM'000	Total RM'000
2020			
Cost			
At 1 January		497	497
Addition		172	172
At 31 December		<u>669</u>	<u>669</u>
Depreciation			
At 1 January		140	140
Charge for the year		198	198
At 31 December		<u>338</u>	<u>338</u>
Carrying amount		<u>331</u>	<u>331</u>

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18. Leases (cont'd.)

- (a) The carrying amounts of right-of-use assets recognised and the movements during the year (cont'd.):

Bank	Other equipment	
	2021	2020
	RM'000	RM'000
Cost		
At 1 January	613	441
Addition	87	172
Matured	(247)	-
At 31 December	<u>453</u>	<u>613</u>
Depreciation		
At 1 January	312	127
Charge for the year	152	185
Matured for the year	(247)	-
At 31 December	<u>217</u>	<u>312</u>
Carrying amount	<u>236</u>	<u>301</u>

- (b) The carrying amounts of lease liabilities and the movements during the year:

Group	Properties	Other equipment	Total
2021	RM'000	RM'000	RM'000
At 1 January	-	344	344
Addition during the year	-	87	87
Accretion of interest	6	19	25
Payments	(228)	(187)	(415)
Acquisition of a subsidiary	826	-	826
At 31 December	<u>604</u>	<u>263</u>	<u>867</u>
Current	604	96	700
Non-current	-	167	167
	<u>604</u>	<u>263</u>	<u>867</u>

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18. Leases (cont'd.)

(b) The carrying amounts of lease liabilities and the movements during the year

Group	Other equipment RM'000	Total RM'000
2020		
At 1 January	354	354
Addition during the year	172	172
Accretion of interest	29	29
Payments	(211)	(211)
At 31 December	<u>344</u>	<u>344</u>
Current	26	26
Non-current	<u>318</u>	<u>318</u>
	<u>344</u>	<u>344</u>
Bank	Other equipment 2021 RM'000	2020 RM'000
At 1 January	313	309
Addition during the year	87	172
Accretion of interest	17	27
Payments	(172)	(195)
At 31 December	<u>245</u>	<u>313</u>
Current	95	25
Non-current	<u>150</u>	<u>288</u>
	<u>245</u>	<u>313</u>

The maturity analysis of lease liabilities are disclosed in Note 52 c(i).

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18. Leases (cont'd.)

(c) The following are the amounts recognised in profit or loss:

Group	Properties RM'000	Other equipment RM'000	Total RM'000
2021			
Depreciation expense of right-of-use assets	216	165	381
Interest expense on lease liabilities (Note 33)	6	2	8
Finance cost on lease liabilities (Note 54(r))	-	17	17
Expense relating to leases of low-value assets (included in overhead expenses)	-	168	168
Total amount recognised in profit or loss	<u>222</u>	<u>352</u>	<u>574</u>
2020		Other equipment RM'000	Total RM'000
Depreciation expense of right-of-use assets		198	198
Interest expense on lease liabilities (Note 33)		17	17
Finance cost on lease liabilities (Note 54(r))		12	12
Expense relating to leases of low-value assets (included in overhead expenses)		<u>337</u>	<u>337</u>
Total amount recognised in profit or loss		<u>564</u>	<u>564</u>

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18. Leases (cont'd.)

(c) The following are the amounts recognised in profit or loss (cont'd.):

Bank	Other equipment	
	2021 RM'000	2020 RM'000
Depreciation expense of right-of-use assets	152	185
Interest expense on lease liabilities (Note 33)	-	15
Finance cost on lease liabilities (Note 54(r))	17	12
Expense relating to leases of low-value assets (included in overhead expenses)	168	337
Total amount recognised in profit or loss	337	549

19. Deferred Tax Assets/(Liabilities)

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	116,343	40,138	114,787	36,939
Recognised in statement of profit or loss	90,645	108,643	90,118	110,467
Recognised in other comprehensive income	90,274	(32,438)	89,857	(32,619)
Acquisition of a subsidiary	(5,810)	-	-	-
At 31 December	291,452	116,343	294,762	114,787
Presented after appropriate offsetting as follows:				
Deferred tax assets	296,638	116,402	294,762	114,787
Deferred tax liabilities	(5,186)	(59)	-	-
	291,452	116,343	294,762	114,787

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.

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19. 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:

Deferred tax assets

Group	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Provisions and other temporary differences RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2021	176,634	-	3,313	2,034	181,981
Recognised in statement of profit or loss	83,923	14,043	586	80	98,632
Recognised in other comprehensive income	-	16,835	-	-	16,835
Acquisition of a subsidiary	-	-	478	(14)	464
At 31 December 2021	<u>260,557</u>	<u>30,878</u>	<u>4,377</u>	<u>2,100</u>	<u>297,912</u>
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	<u>176,634</u>	<u>-</u>	<u>3,313</u>	<u>2,034</u>	<u>181,981</u>

Deferred tax liabilities

Group	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2021	(239)	(65,210)	(189)	(65,638)
Recognised in statement of profit or loss	367	(7,813)	(541)	(7,987)
Recognised in other comprehensive income	-	73,439	-	73,439
Acquisition of a subsidiary	-	(6,274)	-	(6,274)
At 31 December 2021	<u>128</u>	<u>(5,858)</u>	<u>(730)</u>	<u>(6,460)</u>

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19. Deferred Tax Assets/(Liabilities) (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax liabilities

Group	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2020	(267)	(33,723)	(588)	(34,578)
Recognised in statement of profit or loss	28	951	399	1,378
Recognised in other comprehensive income	-	(32,438)	-	(32,438)
At 31 December 2020	(239)	(65,210)	(189)	(65,638)

Deferred tax assets

Bank	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Provisions and other temporary differences RM'000	Total RM'000
At 1 January 2021	177,110	-	2,886	179,996
Recognised in statement of profit or loss	83,899	14,043	529	98,471
Recognised in other comprehensive income	-	16,835	-	16,835
At 31 December 2021	261,009	30,878	3,415	295,302
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

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19. Deferred Tax Assets/(Liabilities) (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax liabilities

Bank	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2021	(65,210)	1	(65,209)
Recognised in statement of profit or loss	(7,812)	(541)	(8,353)
Recognised in other comprehensive income	73,022	-	73,022
At 31 December 2021	-	(540)	(540)
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)

20. Deposits from Customers

	Group and Bank	
	2021	2020
	RM'000	RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	5,974,752	5,346,836
(a) The deposits are sourced from the following types of deposit:		
Tawarruq	5,974,752	5,346,836
(b) The deposits are sourced from the following types of customers:		
Business enterprises	2,880,530	1,462,647
Government and statutory bodies	3,094,222	3,884,189
	5,974,752	5,346,836

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20. Deposits from Customers (cont'd.)

	Group and Bank	
	2021	2020
	RM'000	RM'000
(c) The deposits maturity structure are as follows:		
Less than six months	5,039,201	4,872,156
Six months to one year	584,378	131,416
One year to three years	280,362	161,300
Three years to five years	70,811	181,964
	<u>5,974,752</u>	<u>5,346,836</u>

21. Deposits and Placements from Financial Institutions

	Group and Bank	
	2021	2020
	RM'000	RM'000
At amortised cost		
Licensed banks	<u>1,031,496</u>	<u>801,092</u>
(a) The deposits maturity structure are as follows:		
Less than six months	<u>1,031,496</u>	<u>801,092</u>

22. Premium Liabilities

2021	Note	Gross	Reinsurance	Net
Group		RM'000	RM'000	RM'000
<u>Unexpired risk reserve</u>				
At 1 January		-	-	-
Acquisition of a subsidiary		265,018	(784)	264,234
Premiums written during the year	34	6,731	-	6,731
Premiums earned during the year	34	(10,151)	142	(10,009)
At 31 December		<u>261,598</u>	<u>(642)</u>	<u>260,956</u>
Payable within 12 months		66,243	(407)	65,836
Payable after 12 months		195,355	(235)	195,120
		<u>261,598</u>	<u>(642)</u>	<u>260,956</u>

The URR calculation for the financial period ended 31 December 2021 has taken into account the Covid-19 pandemic impact assessments which included adjustments to obligors' credit rating and valuation of their collaterals/securities.

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23. Insurance Payables

	Group	
	2021	2020
	RM'000	RM'000
Reinsurance premiums payable	427	-
Payable within 12 months	427	-
Payable after 12 months	-	-
	427	-
Gross/net amount of recognised financial liabilities presented in the statements of financial position	427	-

There are no financial assets subject to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral as at 31 December 2021 (2020: Nil).

24. Other Liabilities

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Provision for taxation	-	68	-	-
Zakat payables	12,277	12,275	10,991	9,823
Bank guarantee/Kafalah fees received in advance	16,822	18,460	15,677	17,047
Trade creditors	1,171	413	-	-
Security deposits	18,058	22,730	-	-
Sundry creditors and accruals	63,143	47,360	33,130	22,757
Deferred consideration for acquisition of a subsidiary (Note 51(ii) and 57)	27,303	-	27,303	-
	138,774	101,306	87,101	49,627

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25. Redeemable Notes/Sukuk

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Redeemable non-guaranteed notes/sukuk					
Medium term notes	(i)	-	404,626	-	404,626
Sukuk Murabahah	(ii)	3,034,467	3,034,661	3,034,467	3,034,661
Sukuk Wakalah	(iii)	2,259,654	1,006,598	2,259,654	1,006,598
Sustainable Development Sukuk Wakalah	(iv)	453,311	-	453,311	-
		<u>5,747,432</u>	<u>4,445,885</u>	<u>5,747,432</u>	<u>4,445,885</u>
Redeemable guaranteed notes/sukuk					
Medium term notes	(v)	510,718	510,718	510,718	510,718
Sukuk Murabahah	(vi)	2,838,630	3,041,441	2,332,909	3,041,441
		<u>3,349,348</u>	<u>3,552,159</u>	<u>2,843,627</u>	<u>3,552,159</u>
Infrastructure notes - nominal value	(vii)	202,630	253,236	202,630	253,236
Less: Unaccreted discount		<u>(1,557)</u>	<u>(1,964)</u>	<u>(1,557)</u>	<u>(1,964)</u>
		<u>201,073</u>	<u>251,272</u>	<u>201,073</u>	<u>251,272</u>
		<u>9,297,853</u>	<u>8,249,316</u>	<u>8,792,132</u>	<u>8,249,316</u>

- (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 4.28% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2027, 2032 and November 2026, 2031 and 2035 respectively.
- (iii) These sukuk carry profit rates ranging between 2.80% to 4.05% per annum and for tenures of 5 years to 10 years. These sukuk will mature in June 2026, 2028, 2031 and October 2025, 2027 and 2030 respectively.
- (iv) This sukuk carries a profit rate of 3.95% with a tenure of 7 years. This sukuk will mature in October 2028.
- (v) 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.

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25. Redeemable Notes/Sukuk (cont'd.)

(vi) 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, 2034 and October 2027 respectively.

(vii) This note has a maturity of 25 years with nominal value of RM200,000,000 (2020: RM250,000,000), which carries a coupon rate of 7.50% (2020: 7.50%) per annum. The note will mature in October 2025.

The movements in the redeemable notes/sukuk are as follows:

Group and Bank	Non-Murabahah		Murabahah	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Redeemable non-guaranteed notes/sukuk				
Principal				
At 1 January	400,000	400,000	3,000,000	3,000,000
Repayment during the year	(400,000)	-	-	-
At 31 December	-	400,000	3,000,000	3,000,000
Accrued interest/profit payable				
At 1 January	4,626	4,695	34,661	34,278
Charge for the year	7,733	25,269	139,971	140,548
Repayment/payment during the year	(12,359)	(25,338)	(140,165)	(140,165)
At 31 December	-	4,626	34,467	34,661
	-	404,626	3,034,467	3,034,661

	Sustainable Development			
	Wakalah		Wakalah	
	2021	2020	2021	2020
Group and Bank	RM'000	RM'000	RM'000	RM'000
Redeemable non-guaranteed notes/sukuk				
Principal				
At 1 January	-	-	1,000,000	-
Issued during the year	450,000	-	1,250,000	1,000,000
At 31 December	450,000	-	2,250,000	1,000,000

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25. Redeemable Notes/Sukuk (cont'd.)

The movements in the redeemable notes/sukuk are as follows (cont'd.):

Group and Bank	Sustainable Development Wakalah		Wakalah	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Redeemable non-guaranteed notes/sukuk				
Accrued interest/profit payable				
At 1 January	-	-	6,598	-
Charge for the year	3,311	-	56,088	6,598
Repayment/payment during the year	-	-	(53,032)	-
At 31 December	3,311	-	9,654	6,598
	453,311	-	2,259,654	1,006,598
Group	Non-Murabahah		Murabahah	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Redeemable guaranteed notes/sukuk				
Principal				
At 1 January	500,000	500,000	3,000,000	3,000,000
Payment during the year	-	-	(700,000)	-
Acquisition of a subsidiary	-	-	500,000	-
At 31 December	500,000	500,000	2,800,000	3,000,000
Accrued interest/profit payable				
At 1 January	10,718	10,718	41,441	41,969
Charge for the year	24,000	24,066	133,109	137,101
Repayment/payment during the year	(24,000)	(24,066)	(137,630)	(137,629)
Acquisition of a subsidiary	-	-	1,710	-
At 31 December	10,718	10,718	38,630	41,441
	510,718	510,718	2,838,630	3,041,441

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25. Redeemable Notes/Sukuk (cont'd.)

The movements in the redeemable notes are as follows (cont'd.):

Bank	Non-Murabahah		Murabahah	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Redeemable guaranteed notes/				
sukuk				
Principal				
At 1 January	500,000	500,000	3,000,000	3,000,000
Payment during the year	-	-	(700,000)	-
At 31 December	500,000	500,000	2,300,000	3,000,000
Accrued interest/profit payable				
At 1 January	10,718	10,718	41,441	41,969
Charge for the year	24,000	24,066	129,098	137,101
Repayment/payment during the year	(24,000)	(24,066)	(137,630)	(137,629)
At 31 December	10,718	10,718	32,909	41,441
	510,718	510,718	2,332,909	3,041,441
Group and Bank				
			2021	2020
			RM'000	RM'000
Infrastructure notes				
Principal				
At 1 January			250,000	300,000
Repayment during the year			(50,000)	(50,000)
At 31 December			200,000	250,000
Unaccrued discount				
At 1 January			(1,964)	(2,371)
Accrued discount during the year			407	407
At 31 December			(1,557)	(1,964)
Accrued interest payable				
At 1 January			3,236	3,883
Charge for the year			18,093	21,914
Repayment during the year			(18,699)	(22,561)
At 31 December			2,630	3,236
			201,073	251,272

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26. Borrowings

Group and Bank	31 December 2021		31 December 2020	
	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:				
Principal	150,000	-	500,000	-
Interest	-	2,540	-	8,466
	<u>150,000</u>	<u>2,540</u>	<u>500,000</u>	<u>8,466</u>
Total borrowings		<u>152,540</u>		<u>508,466</u>

The movements in borrowings are as follows:

Group and Bank	Loans from EPF		Other loans	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unsecured:				
Principal				
At 1 January	500,000	2,100,000	-	50,000
Repayment during the year	(350,000)	(1,600,000)	-	(50,000)
At 31 December	<u>150,000</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
Accrued interest payable				
At 1 January	8,466	24,490	-	1,238
Charge for the year	9,912	73,459	-	243
Repayment during the year	(15,838)	(89,483)	-	(1,481)
At 31 December	<u>2,540</u>	<u>8,466</u>	<u>-</u>	<u>-</u>
Total borrowings	<u>152,540</u>	<u>508,466</u>	<u>-</u>	<u>-</u>

Loan from EPF

	Group and Bank Principal	
	2021 RM'000	2020 RM'000
Loan	<u>150,000</u>	<u>500,000</u>
	<u>150,000</u>	<u>500,000</u>

The loan is repayable in 10 equal instalments over a period of 5 years, commencing 2024.

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26. Borrowings (cont'd.)

Loan from EPF (cont'd.)

The above loans are guaranteed by the Government of Malaysia and bear interest at rates of 4.60% to 5.23% (2020: 4.56% to 5.23%) per annum.

27. Infrastructure Support Fund ("ISF")

		Group and Bank	
		2021	2020
	Note	RM'000	RM'000
ISF - Novated loans			
At 1 January/31 December	(i)	303,974	303,974
Infrastructure Support Fund	(ii)		
At 1 January		529	135,155
Stage 1 ECL made during the year against ISF (Note 35 and Note 54(m))		(32,640)	(58,562)
Stage 2 ECL made during the year against ISF (Note 54(m))		-	(79,158)
Refund of government compensation (Note 36)		1,370	3,094
Refund of government compensation (Note 54(m))		30,741	-
At 31 December		-	529
		303,974	304,503

- (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.

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28. Deferred Income

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	201,800	212,255
Received from Government during the year	3,215	4,338
Utilised during the year	(14,753)	(14,793)
At 31 December	<u>190,262</u>	<u>201,800</u>

Deferred income relates to amount received from the government for profit rate differentials on a financing given for a government infrastructure project.

29. Share Capital

Group and Bank	Number of ordinary shares		Amount	
	2021	2020	2021	2020
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At 1 January	3,078,724	3,078,724	3,078,724	3,078,724
Issued during the year	372,861	-	940,057	-
At 31 December	<u>3,451,585</u>	<u>3,078,724</u>	<u>4,018,781</u>	<u>3,078,724</u>

30. Reserves

	Note	Group		Bank	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Non-distributable:					
Capital reserve	30 (i)	1,000	1,000	-	-
Statutory reserve	30 (ii)	2,134,987	2,098,571	2,134,987	2,098,571
Merger deficit	30 (iii)	(18,341)	-	-	-
Unrealised FVOCI reserve	30 (iv)	66,102	271,830	63,935	271,830
Exchange translation deficit	30 (v)	(6,853)	(7,122)	-	-
		<u>2,176,895</u>	<u>2,364,279</u>	<u>2,198,922</u>	<u>2,370,401</u>
Distributable:					
Retained profits	31	2,561,902	2,506,739	2,322,592	2,297,429
		<u>4,738,797</u>	<u>4,871,018</u>	<u>4,521,514</u>	<u>4,667,830</u>

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30. Reserves (cont'd.)

- (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) Merger deficit represents the difference between the consideration given and the carrying value of net asset value of a subsidiary acquired during the year under the merger accounting principle (Note 51(iii)).
- (iv) 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	271,830	160,311	271,830	159,749
Unrealised (loss)/gain on fair value changes	(356,686)	135,508	(358,433)	135,116
Changes in allowance for expected credit losses	51,601	9,405	51,598	9,405
Transfer to retained profits on the disposal of equity instruments at FVOCI	9,083	(956)	9,083	179
Transfer to deferred tax	90,274	(32,438)	89,857	(32,619)
At 31 December	<u>66,102</u>	<u>271,830</u>	<u>63,935</u>	<u>271,830</u>

- (v) The exchange translation deficit 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.

31. Retained Profits

The retained profits of the Bank can be distributed as dividends under the single-tier system.

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32. Interest Income

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Loans and advances	257,261	296,575	251,999	288,486
Loss on loans modification [#]	(5,602)	(516)	(5,602)	(516)
Compensation from the Government	-	70,771	-	70,771
Money at call and deposit placements with financial institutions	15,810	29,854	5,987	23,242
Financial investments at FVOCI	64,245	122,522	58,693	122,522
	<u>331,714</u>	<u>519,206</u>	<u>311,077</u>	<u>504,505</u>
Accretion of discount less amortisation of premium	(16,415)	(19,138)	(16,423)	(19,138)
	<u>315,299</u>	<u>500,068</u>	<u>294,654</u>	<u>485,367</u>
Of which:				
Interest income earned on impaired loans and advances	<u>6,703</u>	<u>3,609</u>	<u>6,658</u>	<u>3,654</u>

This relates to Rescheduled and Restructured ("R&R") loans provided prior to 1 January 2020.

33. Interest Expense

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	-	6,230	-	6,230
Deposits and placements from financial institutions	17,034	11,444	17,034	11,444
Borrowings	9,912	73,701	9,912	73,701
Redeemable notes	50,232	71,657	50,232	71,657
Capital Sukuk	4,011	-	-	-
Lease	8	17	-	15
	<u>81,197</u>	<u>163,049</u>	<u>77,178</u>	<u>163,047</u>

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34. Net Earned Premiums

		Group	
	Note	2021 RM'000	2020 RM'000
(a) <u>Gross earned premiums</u>			
Gross written premium	22	6,731	-
Change in gross premium liabilities		3,420	-
		<u>10,151</u>	<u>-</u>
(b) <u>Premiums ceded to reinsurance</u>			
Gross written premium ceded	22	-	-
Change in ceded premium liabilities		(142)	-
		<u>(142)</u>	<u>-</u>
Net earned premiums		<u>10,009</u>	<u>-</u>

		Group	
		2021 RM'000	2020 RM'000
(i) <u>Gross written premium</u>			
Gross written premium during the year		6,732	-
Reversal of premium due to early redemption		(1)	-
		<u>6,731</u>	<u>-</u>

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35. Non-Interest Income

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(a) Investment income:				
Net gain arising on financial investment at FVOCI:				
- net gain on disposal	7,252	49,546	7,252	49,546
	<u>7,252</u>	<u>49,546</u>	<u>7,252</u>	<u>49,546</u>
(b) Other income:				
Fee income	3,579	2,820	517	631
Rental income:				
- Subsidiaries	-	-	-	284
- Others	-	804	-	804
(Loss)/gain on disposal of property, plant and equipment	(8)	322	-	106
Stage 1 allowance made during the year against ISF	1,899	-	1,899	-
Capital contribution	609	-	-	-
Debt recovered	9,277	-	-	-
Reversal of provision for liquidation	3,115	-	-	-
Gain on foreign exchange realised	12	143	-	-
Others	574	625	-	67
	<u>19,057</u>	<u>4,714</u>	<u>2,416</u>	<u>1,892</u>
Total non-interest income	<u>26,309</u>	<u>54,260</u>	<u>9,668</u>	<u>51,438</u>

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36. 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 RM1,369,912 (2020: RM3,093,605) 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.

37. Net Claim Recovered

	Group	
	2021	2020
	RM'000	RM'000
Gross/net claim paid during the year	-	-
Gross/net claim recovered during the year (Note 57)	27,303	-
Gross/net claim recovered	<u>27,303</u>	<u>-</u>

38. Overhead Expenses

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Personnel costs	(i)	79,355	57,564	68,340	51,883
Establishment related expenses	(ii)	15,799	14,362	14,479	13,278
Promotion and marketing expenses	(iii)	1,981	2,052	1,971	2,051
General administrative expenses	(iv)	50,815	33,133	47,645	34,682
		<u>147,950</u>	<u>107,111</u>	<u>132,435</u>	<u>101,894</u>
Overhead expenses charged to subsidiaries via Service Level Agreements ("SLA")		-	-	(420)	(447)
		<u>147,950</u>	<u>107,111</u>	<u>132,015</u>	<u>101,447</u>

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38. Overhead Expenses (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(i) Personnel costs				
Salaries, allowances and bonuses	63,336	42,300	54,920	37,695
Non-executive Directors' fees and remuneration	1,021	1,093	932	1,064
Social security cost	433	407	368	359
Pension costs - Defined contribution plan	8,937	7,774	7,493	7,033
Other staff related expenses	5,628	5,990	4,627	5,732
	<u>79,355</u>	<u>57,564</u>	<u>68,340</u>	<u>51,883</u>
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	4,686	4,908	4,537	4,847
Investment properties	8	7	8	7
Right-of-use assets	381	198	152	185
Amortisation of intangible assets	2,642	2,637	2,530	2,504
Repairs and maintenance of property, plant and equipment	2,038	1,615	1,768	1,597
Information technology expenses	6,044	4,997	5,484	4,138
	<u>15,799</u>	<u>14,362</u>	<u>14,479</u>	<u>13,278</u>
(iii) Promotion and marketing expenses				
Advertisement and publicity	<u>1,981</u>	<u>2,052</u>	<u>1,971</u>	<u>2,051</u>

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38. Overhead Expenses (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(iv) General administrative expenses				
General administrative expenses	32,033	13,962	29,267	15,951
Payment to EPF for early settlement of loan	17,510	17,984	17,510	17,984
Auditors' remuneration:				
- Statutory audit				
- Current year	1,115	1,107	758	720
- Non-audit services				
- regulatory related services	73	80	26	27
Property, plant and equipment written off	84	-	84	-
	<u>50,815</u>	<u>33,133</u>	<u>47,645</u>	<u>34,682</u>

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39. 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:

	Remuneration received and receivable from the Bank							Remuneration received and receivable from Subsidiary Companies			
	Salary	Fees	Bonus	Pension cost	Other emoluments	Benefits-in-kind	Bank total	Fees	Other emoluments	Benefits-in-kind	Group total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2021											
President/Group Chief Executive Officer											
Arshad bin Mohamed Ismail	510	-	-	101	163	-	774	-	-	-	774
	510	-	-	101	163	-	774	-	-	-	774
Non-Executive Directors:											
Tan Sri Mohamed Nazir bin Abdul Razak	-	141			44	-	185	-	-	-	185
Datuk Zaiton binti Mohd Hassan	-	24	-	-	19	-	43	-	-	-	43
Dato' Othman bin Semail	-	12	-	-	20	-	32	-	-	-	32
Dr. Mohamed Ashraf bin Mohamed Iqbal	-	8	-	-	27	-	35	-	12	-	47
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	-	16	-	-	47	-	63	-	11	-	74
Ariff bin Rozhan	-	48	-	-	154	-	202	-	20	-	222
Norazilla binti Md Tahir	-	48	-	-	170	-	218	-	46	-	264
Meow Yoke Nean	-	28	-	-	83	-	111	-	-	-	111
Datin Rashidah binti Mohd Sies	-	13	-	-	10	-	23	-	-	-	23
Othman bin Abdullah	-	9	-	-	11	-	20	-	-	-	20
	-	347	-	-	585	-	932	-	89	-	1,021
Total	510	347	-	101	748	-	1,706	-	89	-	1,795

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39. 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.):

	Remuneration received and receivable from the Bank							Remuneration received and receivable from Subsidiary Companies			
	Salary	Fees	Bonus	Pension cost	Other emoluments	Benefits-in-kind	Bank total	Fees	Other emoluments	Benefits-in-kind	Group total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020											
President/Group Chief Executive Officer											
Arshad bin Mohamed Ismail	510	-	-	88	74	-	672	-	-	-	672
	510	-	-	88	74	-	672	-	-	-	672
Non-Executive Directors:											
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 Othman Fadzilah	-	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
Total	510	460	-	88	669	9	1,736	-	29	-	1,765

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40. 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	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short term employee benefits' (excluding benefits-in-kind)	39	1,795	1,756	1,706	1,727
Included in the above are:					
President/Group Chief Executive Officer and Executive Director's remuneration (excluding benefits-in-kind)	39	774	672	774	672

41. Allowance for Impairment Losses of Loans, Financing and Advances

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Stage 1 - 12-month ECL, net	343,882	265,171	343,947	264,895
Stage 2 - Lifetime ECL not credit impaired, net	10,494	404,683	10,858	402,519
Stage 3 - Lifetime ECL credit impaired, net	89,689	22,252	75,999	13,561
Staff loans/financing:				
Stage 1 - 12-month ECL, net	(2)	(206)	(2)	(206)
Impaired loans/financing:				
Written-off	9,247	2,382	8,807	1,689
Recovered	(68,398)	(24,061)	(66,595)	(21,673)
	384,912	670,221	373,014	660,785

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42. Allowances for Impairment Losses on Other Assets

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Financial investments at FVOCI	51,601	9,405	51,598	9,405
Investments in subsidiaries	-	-	(6,755)	659
Loss on corporate guarantees	6,200	-	-	-
Write back for tenants	-	(13)	-	(13)
Write back for factoring	(30)	-	-	-
(Write back)/allowance for ex-staff loan/financing:				
Stage 1 - 12-month ECL, net	(1)	1	(1)	1
Stage 3 - Lifetime ECL credit impaired, net	(84)	78	(84)	78
	<u>57,686</u>	<u>9,471</u>	<u>44,758</u>	<u>10,130</u>

43. Taxation

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
Current income tax	158,374	150,145	147,531	148,285
Under/(over) provision in prior years	627	(2,265)	(59)	(249)
	<u>159,001</u>	<u>147,880</u>	<u>147,472</u>	<u>148,036</u>
Deferred tax expense:				
Reversal of temporary differences	(89,026)	(110,709)	(90,118)	(110,675)
(Over)/under provision in prior years	(1,619)	2,066	-	208
	<u>(90,645)</u>	<u>(108,643)</u>	<u>(90,118)</u>	<u>(110,467)</u>
	<u>68,356</u>	<u>39,237</u>	<u>57,354</u>	<u>37,569</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

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43. Taxation (cont'd.)

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	254,354	157,540	211,291	147,158
Tax using Malaysian tax rate of 24% (2020: 24%)	61,045	37,810	50,710	35,318
Income not subject to tax	(2,708)	(1,953)	(329)	(1,052)
Non-deductible expenses	10,769	3,579	7,032	3,344
Utilisation of previously unrecognised tax losses	242	-	-	-
(Over)/under provision of deferred tax in prior years	(1,619)	2,066	-	208
Under/(over) provision of income tax in prior years	627	(2,265)	(59)	(249)
Taxation	68,356	39,237	57,354	37,569

44. Dividends

Dividends recognised in the current year by the Bank are:

	2021		2020	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2020 ordinary, net of tax	2.44	75,000	-	-
Final 2019 ordinary, net of tax	-	-	3.25	100,000
Final 2019 special, net of tax	-	-	1.69	52,214
	2.44	75,000	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 2021, on 3,451,584,988 ordinary shares, amounting to a dividend payable of RM75,000,000 (2.17 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 2022.

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45. 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	
	2021	2020
Profit attributable to equity holders of the Bank (RM'000)		
- operations	175,662	107,144
Weighted average number of ordinary shares in issue ('000)	3,126,736	3,078,724
Basic/diluted EPS (sen) for:		
- operations	5.62	3.48

46. 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Disbursement of loans/ financing to industries	5,305,175	5,029,365	4,924,126	4,596,974
Secured guarantees on behalf of borrowers/ customers given to third parties	2,198,119	2,317,596	2,198,119	2,317,596
	<u>7,503,294</u>	<u>7,346,961</u>	<u>7,122,245</u>	<u>6,914,570</u>

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46. Commitments and Contingencies (cont'd.)

- (b) Capital commitments of the Group and the Bank which are not included in these financial statements are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Approved but not contracted for	6,721	29,802	6,563	29,282
Contribution to Non-Profit Organization	800	-	800	-

47. 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 ("BNM") 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 as per BNM's Capital Framework for Development Financial Institutions. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

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47. Capital Adequacy (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

The following table sets forth capital resources and capital adequacy for the Bank as at reporting date.

	Bank	
	2021	2020
	RM'000	RM'000
Tier 1 capital		
Paid-up share capital	4,018,781	3,078,724
Other reserves	4,521,514	4,667,830
Less: Deferred tax asset	(294,762)	(114,787)
Total Tier 1 capital	<u>8,245,533</u>	<u>7,631,767</u>
Tier 2 capital		
Government support funds	494,236	506,303
Stage 1 and Stage 2 ECL	2,157,088	1,802,285
Total Tier 2 capital	<u>2,651,324</u>	<u>2,308,588</u>
Total capital	10,896,857	9,940,355
Less: Investment in subsidiaries	(2,168,939)	(254,767)
Total capital base	<u>8,727,918</u>	<u>9,685,588</u>

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

	Bank	
	2021	2020
	RM'000	RM'000
20%	246,444	198,596
50%	1,356,751	1,240,387
100%	22,550,663	21,175,598
	<u>24,153,858</u>	<u>22,614,581</u>

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47. Capital Adequacy (cont'd.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

Without deducting proposed dividend:

	Bank	
	2021	2020
	%	%
Core capital ratio	34.138	33.747
RWCR	36.135	42.829

After deducting proposed dividend:

	Bank	
	2021	2020
	%	%
Core capital ratio	33.827	33.415
RWCR	35.824	42.497

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.

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47. Capital Adequacy (cont'd.)

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 financial year ended 31 December 2020 and will be applied for the next three financial years up to 31 December 2023.

Financial impact analysis based on the Policy Document is tabulated below:

	Bank Exposures Amount RM'000
Add-back	1,022,011
Total Stage 1 and Stage 2 ECL as at reporting date	2,157,088
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
Total Tier 1 Capital	8,245,533	9,267,544
of which: Total Add-back	-	1,022,011
Total Additional Tier 1 Capital	-	1,022,011
Total Tier 2 Capital	2,651,324	1,629,313
of which: Loss provisions	2,157,088	1,135,077
Total RWA	24,153,858	24,153,858

	Bank Before Transitional Arrangement Ratio (%)	After Transitional Arrangement Ratio (%)
Tier 1 Capital	34.138	38.369
Total Capital	36.135	36.135

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48. 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% (2020: 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 40.

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:

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48. Significant Related Party Transactions and Balances (cont'd.)

48.1 Significant balances and transactions with a significant shareholder

(a) Significant balances with a significant shareholder

	Group and Bank	
	2021	2020
	RM'000	RM'000
<u>Other assets</u>		
Amount receivable from Government in respect of compensation for:		
Foreign exchange differences	85,361	85,361
Infrastructure projects	196,207	146,937
	<hr/>	<hr/>

(b) Significant transactions with a significant shareholder

	Group and Bank	
	2021	2020
	RM'000	RM'000
<u>Conventional</u>		
Interest compensation from Government of Malaysia	-	70,771
Stage 1 ECL made during the year against ISF	1,899	-
Refund of government compensation	1,370	3,094
	<hr/>	<hr/>
<u>Islamic</u>		
Profit compensation from Government of Malaysia	105,555	33,069
Stage 1 ECL made during the year against ISF	30,741	58,562
Stage 2 ECL made during the year against ISF	-	79,158
Refund of government compensation	30,741	-
Fee income from Unit Kerjasama Awam Swasta ("UKAS")	556	785
	<hr/>	<hr/>

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48. Significant Related Party Transactions and Balances (cont'd.)

48.2 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Short term deposits	880,444	917,800	752,333	754,775
Deposits and placements with financial institution	2,124,567	185,772	258,154	51,137
Financial investments at FVOCI	<u>5,949,317</u>	<u>5,712,727</u>	<u>5,214,965</u>	<u>5,712,727</u>
<u>Liabilities</u>				
Deposits from customers	5,932,135	5,333,740	5,932,135	5,333,740
Deposits and placements from financial institutions	780,523	500,650	780,523	500,650
Redeemable notes	9,297,853	8,249,316	8,792,132	8,249,316
Borrowings	152,540	508,466	152,540	508,466
ISF	303,974	304,503	303,974	304,503
Deferred income	<u>190,262</u>	<u>201,800</u>	<u>190,262</u>	<u>201,800</u>

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48. Significant Related Party Transactions and Balances (cont'd.)

48.2 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

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<u>Conventional</u>				
<u>Income</u>				
Money at call and deposit placements with financial institutions	15,722	29,765	5,897	23,153
Financial investments at FVOCI	62,795	116,533	57,243	116,533
Amortisation of premium less accretion of discount	(16,415)	(19,138)	(16,423)	(19,138)
Rental income	-	804	-	1,088
<u>Expenses</u>				
Interest expense on:				
Deposits from customers and financial institutions	(13,849)	(13,561)	13,849	(13,561)
Borrowings	(9,912)	(73,701)	(9,912)	(73,701)
Redeemable notes	(50,232)	(71,657)	(50,232)	(71,657)

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48. Significant Related Party Transactions and Balances (cont'd.)

48.2 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<u>Islamic</u>				
<u>Income</u>				
Finance income from deposits and placements with financial institutions	24,087	14,429	22,576	14,100
Financial investments at FVOCI	140,218	41,853	140,218	41,853
Accretion of discount less amortisation of premium	(9,044)	2,986	(9,044)	2,986
Rental income	797	155	1,160	250
<u>Expenses</u>				
Income attributable to the depositors:				
Deposits from customers and financial institutions	(148,897)	(132,865)	(148,897)	(132,865)
Sukuk	(328,469)	(284,248)	(328,469)	(284,248)

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48. Significant Related Party Transactions and Balances (cont'd.)

48.3 Significant balances and transactions with subsidiaries, associates and JVs

(a) Significant balances with subsidiaries, associates and JVs

	Bank	
	2021	2020
	RM'000	RM'000
<u>Conventional</u>		
Loans to subsidiaries	58	51
Payment on behalf of subsidiary	195	1,716

(b) Significant transactions with subsidiaries, associates and JVs

	Bank	
	2021	2020
	RM'000	RM'000
<u>Conventional</u>		
<u>Income</u>		
Rental income from subsidiaries	384	379
Fee Income from subsidiaries	480	447
<u>Expenses</u>		
Management fee expense from subsidiaries	(12)	(12)

	Group	
	2021	2020
	RM'000	RM'000
<u>Key management personnel's remunerations</u>		
Salaries and benefits	7,677	-
Employer's EPF contribution	1,260	-
Director remuneration	1,762	-

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48. Significant Related Party Transactions and Balances (cont'd.)

48.4 Significant balances and transactions with Group's related parties

(a) Significant balances with the Group's related parties

	Group	
	2021	2020
	RM'000	RM'000
<u>Other assets</u>		
Trade receivables due from related parties	9,553	9,226
<u>Other liabilities</u>		
Trade payables due to related parties	85	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:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder of the Bank and his close relatives;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) 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.

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49. Loans/Financing Facilities with Connected Parties

	Group and Bank			
	2021		2020	
	Total	Impaired	Total	Impaired
	Exposure	Exposure	Exposure	Exposure
	RM'000	RM'000	RM'000	RM'000
Credit facility and leasing (except guarantee)	1,672,186	-	1,311,645	276,177
Equities and private debt securities ("PDS") held	170,000	-	-	-
Total	1,842,186	-	1,311,645	276,177
Total exposure to connected parties as % of total capital	19%	0%	14%	3%
Total exposure to connected parties as % of total outstanding financial exposure	6%	0%	4%	1%

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.

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50. Companies in the Group

(a) The subsidiaries, all incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank		Principal activities
	2021 %	2020 %	
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	Leasing and investment holding
SME Growth Acceleration Fund Sdn Bhd	100.00	100.00	Dormant
Danajamin Nasional Berhad* (Note 51)	100.00	-	Financial guarantee insurance.

(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
	2021 %	2020 %	
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

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50. 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 (cont'd.):

Subsidiary	Effective interest held by the Bank		Principal activities
	90 %	90 %	
GMV-Bahtera Sdn Bhd	90.00	90.00	Investment holding
GMV-Borcos 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-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
	2021 %	2020 %	
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
	2021 %	2020 %	
Bahtera Berlian Sdn Bhd #	90.00	90.00	Ship-management

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50. 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
	2021 %	2020 %	
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, factoring, insurance agency and letting of properties
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing

* Audited by firms of auditors other than Ernst & Young, Malaysia

@ Placed under members' voluntary liquidation.

Placed under creditors voluntary liquidation.

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51. Acquisition of a Subsidiary

On 12 November 2021, the Group acquired 100% equity interest in Danajamin from MOF Inc. and Credit Guarantee Corporation Malaysia Berhad ("CGC"), via a combination of cash and share swap comprising 372,860,939 ordinary shares at an issue price of RM2.52, a cash consideration of RM940,057,000 and a deferred consideration of RM27,302,597. The acquisition was accounted for using the carrying value method of accounting under the merger accounting principle.

Assets acquired and liabilities

The carrying values of the identifiable assets and liabilities of Danajamin as at the date of acquisition were:

(i) Net Tangible Assets ("NTA")

The computation of carrying values of NTA is as follows:

	RM'000
Assets	
Property, plant and equipment	650
Intangible assets	261
Right-of-use assets	813
Financial Investments at FVOCI	725,318
Deposits and placements with financial institutions	1,696,269
Insurance receivables	213,423
Reinsurance assets	783
Tax recoverable	22,238
Other assets	6,585
Cash and cash equivalents	5,858
Total assets	(a) <u>2,672,198</u>
Liabilities	
Premium liabilities	265,018
Lease liabilities	826
Insurance payables	1,137
Deferred income	1,071
Other liabilities	7,550
Deferred tax liabilities	5,810
Subordinated Sukuk	501,710
Total liabilities	(b) <u>783,122</u>
NTA	(c) = (a)-(b) <u>1,889,076</u>

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51. Acquisition of a Subsidiary (cont'd.)

(ii) Purchase Considerations

The purchase considerations of RM1,907,416,597 for the acquisition of Danajamin are as follows:

	RM'000
Cash and short term deposits	940,057
Share swap	940,057
Deferred consideration (Note 24)	27,303
(d)	<u>1,907,417</u>

Deferred consideration relates to a claim recoverable from an obligor of Danajamin as disclosed in Note 57.

(iii) Merger deficit

The computation of merger deficit from the acquisition of Danajamin is as follows:

	RM'000
Carrying values of NTA	(c) 1,889,076
Purchase considerations	(d) 1,907,417
Merger deficit	(e) = (c)-(d) <u>(18,341)</u>

(iv) Net cash outflow arising from acquisition of a subsidiary

	RM'000
Purchase consideration settled in cash and cash equivalents	(940,057)
Cash and cash equivalents acquired	5,858
	<u>(934,199)</u>

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52. 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. 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 Group and the Bank, such as trading or holding of debt securities and deposit placements also expose the Group and the Bank to credit risk.

Credit risk management activities conducted by the Bank are within Credit Risk Management policy 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.

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52. Financial Instruments Risk (cont'd.)

Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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.

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 reduce 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 oversight is provided by the Board Credit Committee ("BCC") while credit risk oversight is provided by the Board Risk Management Committee ("BRMC"). For application of financing for connected parties, such application is subject to the approval from the BOD.

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52. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

(i) Credit exposure

	Note	Group		Bank	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
On balance sheet:					
Cash and short term deposits	4	966,678	1,035,238	825,847	861,787
Deposits and placements with financial institutions	5	2,124,567	185,772	258,154	51,137
Financial investments at FVTPL	6	14,863	45,566	14,863	45,566
Financial investments at FVOCI - debt	7	5,939,648	6,021,866	5,205,296	6,021,866
Loans, financing and advances	8	16,074,609	15,584,069	15,864,963	15,394,417
Insurance receivables	9	196,759	-	-	-
Reinsurance assets	10	642	-	-	-
Other assets	11	333,601	249,811	289,403	240,927
		<u>25,651,367</u>	<u>23,122,322</u>	<u>22,458,526</u>	<u>22,615,700</u>
Other assets not subject to credit risk		477,006	353,357	2,614,271	592,807
		<u>26,128,373</u>	<u>23,475,679</u>	<u>25,072,797</u>	<u>23,208,507</u>
Off balance sheet:					
Commitments and Contingencies	46(a)	7,503,294	7,346,961	7,122,245	6,914,570
		<u>33,631,667</u>	<u>30,822,640</u>	<u>32,195,042</u>	<u>30,123,077</u>

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52. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

(ii) The following table sets out the credit risk concentration by economic sectors:

Group 2021	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	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	-	-	-	6,635	-	-	6,635	-
Construction	-	-	207,631	8,129,544	124,316	-	8,461,491	3,883,340
Education	-	-	-	1,469,528	18,742	-	1,488,270	431,017
Electrical, gas and water supply	-	-	339,431	355,495	21,621	-	716,547	712,792
Finance, insurance/takaful and business	3,091,245	-	4,726,992	64,141	-	-	7,882,378	-
Hotel and restaurants	-	-	-	967,889	-	-	967,889	511,544
Housing	-	-	-	3,720	8,339	-	12,059	-
Manufacturing	-	-	20,489	212,324	-	-	232,813	335,007
Marine related	-	-	-	444,467	-	-	444,467	69,692
Medical and pharmaceuticals	-	-	-	-	-	-	-	-
Other community, social and personal service activities	-	-	60,575	288,780	-	-	349,355	430,172
Public administration and defence	-	-	-	16,783	-	-	16,783	3,615
Real estate, renting and business activities	-	-	522,079	1,303,821	20,642	-	1,846,542	-
Shipping	-	14,863	36,533	601,227	-	-	652,623	46,059
Shipyard	-	-	-	-	-	-	-	-
Transport, storage and communications	-	-	25,918	2,210,255	-	-	2,236,173	1,080,056
Others	-	-	-	-	3,099	333,601	336,700	-
	3,091,245	14,863	5,939,648	16,074,609	196,759	333,601	25,650,725	7,503,294
Other assets not subject to credit risk	-	-	-	-	-	477,648	477,648	-
	3,091,245	14,863	5,939,648	16,074,609	196,759	811,249	26,128,373	7,503,294

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52. 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 2020	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	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
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

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52. 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 2021	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	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	-	-	207,631	8,129,544	-	-	8,337,175	3,851,856
Education	-	-	-	1,469,528	-	-	1,469,528	431,017
Electrical, gas and water supply	-	-	309,184	355,495	-	-	664,679	712,792
Finance, insurance/takaful and business	1,084,001	-	4,033,907	-	-	-	5,117,908	-
Hotel and restaurants	-	-	-	908,985	-	-	908,985	361,266
Housing	-	-	-	3,720	-	-	3,720	-
Manufacturing	-	-	20,489	212,324	-	-	232,813	271,793
Marine related	-	-	-	444,467	-	-	444,467	69,692
Medical and pharmaceuticals	-	-	-	-	-	-	-	-
Other community, social and personal service activities	-	-	60,575	242,539	-	-	303,114	415,671
Public administration and defence	-	-	-	16,783	-	-	16,783	3,615
Real estate, renting and business activities	-	-	522,079	1,303,821	-	-	1,825,900	-
Shipping	-	14,863	36,533	601,227	-	-	652,623	46,059
Shipyard	-	-	-	-	-	-	-	-
Transport, storage and communications	-	-	14,898	2,176,530	-	-	2,191,428	958,484
Others	-	-	-	-	-	289,403	289,403	-
	1,084,001	14,863	5,205,296	15,864,963	-	289,403	22,458,526	7,122,245
Other assets not subject to credit risk	-	-	-	-	-	2,614,271	2,614,271	-
	1,084,001	14,863	5,205,296	15,864,963	-	2,903,674	25,072,797	7,122,245

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52. 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 2020	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	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
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
Shipyard	-	-	-	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

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Notes to the Financial Statements - 31 December 2021

52. 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	2021				2020			
	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
Upper-medium grade	45,298	-	-	45,298	105,405	529	-	105,934
Medium grade	4,489,312	19,869	-	4,509,181	4,911,760	20,833	-	4,932,593
Speculative	6,526,828	12,415	-	6,539,243	6,168,128	7,323	-	6,175,451
Considered speculative	3,227,814	84,912	-	3,312,726	4,747,168	13,570	-	4,760,738
Poor standing	3,096,486	-	-	3,096,486	568,042	78,748	-	646,790
Impaired	-	-	2,059,597	2,059,597	-	-	2,116,328	2,116,328
	<u>17,385,738</u>	<u>117,196</u>	<u>2,059,597</u>	<u>19,562,531</u>	<u>16,500,503</u>	<u>121,003</u>	<u>2,116,328</u>	<u>18,737,834</u>
Bank								
Upper-medium grade	3,745	-	-	3,745	91,353	-	-	91,353
Medium grade	4,408,621	-	-	4,408,621	4,839,998	-	-	4,839,998
Speculative	6,463,217	-	-	6,463,217	6,086,502	-	-	6,086,502
Considered speculative	3,227,814	84,912	-	3,312,726	4,747,168	13,570	-	4,760,738
Poor standing	3,096,486	-	-	3,096,486	568,042	78,748	-	646,790
Impaired	-	-	2,025,947	2,025,947	-	-	2,093,919	2,093,919
	<u>17,199,883</u>	<u>84,912</u>	<u>2,025,947</u>	<u>19,310,742</u>	<u>16,333,063</u>	<u>92,318</u>	<u>2,093,919</u>	<u>18,519,300</u>

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52. 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Impaired:				
0 month overdue	120,644	360,600	120,644	360,600
1 month overdue	88,456	1,518	88,456	1,518
2 months overdue	148,240	52,742	148,240	52,742
3 months overdue	12,543	109,577	12,543	109,577
> 3 months overdue	1,689,714	1,591,891	1,656,064	1,569,482
	<u>2,059,597</u>	<u>2,116,328</u>	<u>2,025,947</u>	<u>2,093,919</u>
Past due but not impaired:				
1 Month Overdue	106,506	104,848	84,912	92,318
2 Months Overdue	8,840	11,194	-	-
3 Months Overdue	1,850	4,961	-	-
	<u>117,196</u>	<u>121,003</u>	<u>84,912</u>	<u>92,318</u>

(v) The table below provides information regarding the credit risk exposure of Danajamin by classifying assets according to Danajamin's credit ratings of counterparties.

2021	Neither past due nor impaired RM'000	Impaired RM'000	Total RM'000
Financial investments at FVOCI			
Malaysian Government Securities	20,514	-	20,514
Government investment issues	95,806	-	95,806
Corporate debt securities	618,032	-	618,032
Deposits and placements with licensed banks	1,677,255	-	1,677,255
Insurance receivables	197,159	(400)	196,759
Other assets*	4,763	-	4,763
Cash and cash equivalents	47,669	-	47,669
	<u>2,661,198</u>	<u>(400)</u>	<u>2,660,798</u>

*Exclude prepayments

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52. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

(vi) 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 Group and the Bank, and subject to seizure in the event of default. Collateral provides 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 Group and 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:

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52. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

(vi) Collateral and credit enhancement for loans, financing and advances (cont'd.)

Collateral by amount

Group	2021				2020			
	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
Past due but not impaired	-	117,196	117,196	-	92,318	28,685	121,003	261,822
Impaired	1,179,167	880,430	2,059,597	2,938,252	1,467,292	649,036	2,116,328	3,422,962
	<u>1,179,167</u>	<u>997,626</u>	<u>2,176,793</u>	<u>2,938,252</u>	<u>1,559,610</u>	<u>677,721</u>	<u>2,237,331</u>	<u>3,684,784</u>
Bank								
Past due but not impaired	-	84,912	84,912	-	92,318	-	92,318	261,822
Impaired	1,179,167	846,780	2,025,947	2,938,252	1,467,292	626,627	2,093,919	3,422,962
	<u>1,179,167</u>	<u>931,692</u>	<u>2,110,859</u>	<u>2,938,252</u>	<u>1,559,610</u>	<u>626,627</u>	<u>2,186,237</u>	<u>3,684,784</u>

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52. Financial Instruments Risk (cont'd.)

(a) Credit risk (cont'd.)

(v) Collateral and credit enhancement for loans, financing and advances (cont'd.)

Collateral by type

Group	2021				2020			
	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
Past due but not impaired	-	-	-	-	-	261,822	-	261,822
Impaired	5,166	2,435,308	497,778	2,938,252	35,066	2,730,030	657,866	3,422,962
	<u>5,166</u>	<u>2,435,308</u>	<u>497,778</u>	<u>2,938,252</u>	<u>35,066</u>	<u>2,991,852</u>	<u>657,866</u>	<u>3,684,784</u>
Bank								
Past due but not impaired	-	-	-	-	-	261,822	-	261,822
Impaired	5,166	2,435,308	497,778	2,938,252	35,066	2,730,030	657,866	3,422,962
	<u>5,166</u>	<u>2,435,308</u>	<u>497,778</u>	<u>2,938,252</u>	<u>35,066</u>	<u>2,991,852</u>	<u>657,866</u>	<u>3,684,784</u>

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52. 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 RM8,972.5 million (2020: RM9,935.2 million).

(vii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparties' rating:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
<u>Financial investments at FVOCI</u>				
Sovereign	4,350,296	4,089,966	4,104,700	4,089,966
AAA	464,555	933,592	429,234	933,592
AA	471,035	409,421	188,321	409,421
A	170,721	-	-	-
BBB	-	109,669	-	109,669
BB	42,322	-	42,322	-
Non-rated	440,719	479,218	440,719	479,218
	5,939,648	6,021,866	5,205,296	6,021,866

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52. Financial Instruments Risk (cont'd.)

(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			
	Impact on	Impact on	Impact on	Impact on
	interest/	interest/	equity	equity
	profit	profit	equity	equity
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest/profit rate				
- parallel shift				
+ 50 basis points	11,021	8,390	(144,916)	(205,827)
- 50 basis points	(11,021)	(8,390)	145,507	205,827

	Bank			
	Impact on	Impact on	Impact on	Impact on
	interest/	interest/	equity	equity
	profit	profit	equity	equity
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Interest/profit rate				
- parallel shift				
+ 50 basis points	11,021	8,390	(133,685)	(205,827)
- 50 basis points	(11,021)	(8,390)	133,685	205,827

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52. 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.

	<----- Non-trading book ----->							
Group 2021	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	Total RM'000	Effective interest/ profit rate %
Assets								
Cash and short term deposits	950,458	-	-	-	-	16,220	966,678	1.79
Deposits and placements with financial institutions	6,029	1,014,771	1,103,767	-	-	-	2,124,567	-
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863	-
Financial investments at FVOCI	50,945	10,050	131,774	2,792,205	2,954,674	10,280	5,949,928	4.33
Financial investments at amortised cost								
Loans, financing and advances								
- non-impaired	319,927	124,054	758,671	5,591,700	10,706,883	1,699	17,502,934	5.96
- impaired *	-	-	-	-	-	(1,428,325)	(1,428,325)	-
Insurance receivables	-	-	-	-	-	196,759	196,759	-
Reinsurance assets	-	-	-	-	-	642	642	-
Other assets	-	-	-	-	-	333,601	333,601	-
Total assets	1,327,359	1,148,875	1,994,212	8,383,905	13,661,557	(854,261)	25,661,647	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(i) Interest/profit rate risk (cont'd.)

Group 2021 (cont'd.)	<----- 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		
Equity and liabilities								
Deposits from customers	1,548,963	1,975,323	2,062,598	387,868	-	-	5,974,752	2.41
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496	1.88
Premium liabilities	-	-	-	-	-	261,598	261,598	-
Insurance payables	-	-	-	-	-	427	427	-
Other liabilities	-	-	-	-	-	138,774	138,774	-
Redeemable notes/Sukuk	93,689	500,000	505,721	2,883,443	5,315,000	-	9,297,853	4.38
Borrowings	-	2,540	-	-	150,000	-	152,540	4.88
Infrastructure support fund	-	-	-	-	-	303,974	303,974	-
Deferred income	-	-	-	-	-	190,262	190,262	-
Lease liabilities	-	-	-	-	-	867	867	-
Total liabilities	2,674,148	2,477,863	2,568,319	3,271,311	5,465,000	895,902	17,352,543	
Total interest/profit sensitivity gap	(1,346,789)	(1,328,988)	(574,107)	5,112,594	8,196,557	(1,750,163)	8,309,104	

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52. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(i) Interest/profit rate risk (cont'd.)

Group 2020	<----- 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				
Assets									
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	
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	-	
Total assets	1,360,716	450,960	869,484	6,019,356	15,138,679	(607,201)	23,231,994		

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(i) Interest/profit rate risk (cont'd.)

Group 2020 (cont'd.)	<----- 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				
Equity and liabilities									
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	-	
Total liabilities	2,658,686	2,134,272	2,169,461	2,428,291	5,515,000	607,953	15,513,663		
Total interest/profit sensitivity gap	(1,297,970)	(1,683,312)	(1,299,977)	3,591,065	9,623,679	(1,215,154)	7,718,331		

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52. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(i) Interest/profit rate risk (cont'd.)

Bank 2021	<----- 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		
Assets								
Cash and short term deposits	822,346	-	-	-	-	3,501	825,847	1.78
Deposits and placements with financial institutions	-	258,154	-	-	-	-	258,154	-
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863	-
Financial investments at FVOCI	50,945	10,050	55,528	2,347,568	2,741,205	10,280	5,215,576	4.27
Loans, financing and advances								
- non-impaired	274,319	111,661	735,476	5,463,248	10,698,392	1,699	17,284,795	5.92
- impaired *	-	-	-	-	-	(1,419,832)	(1,419,832)	-
Other assets	-	-	-	-	-	289,403	289,403	-
Total assets	1,147,610	379,865	791,004	7,810,816	13,439,597	(1,100,086)	22,468,806	

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(i) Interest/profit rate risk (cont'd.)

Bank 2021 (cont'd.)	<----- 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				
Equity and liabilities									
Deposits from customers	1,548,963	1,975,323	2,062,598	387,868	-	-	5,974,752	2.41	
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496	1.88	
Other liabilities	-	-	-	-	-	87,101	87,101		
Redeemable notes/Sukuk	93,689	500,000	-	2,883,443	5,315,000	-	8,792,132	4.36	
Borrowings	-	2,540	-	-	150,000	-	152,540	4.88	
Infrastructure support fund	-	-	-	-	-	303,974	303,974	-	
Deferred income	-	-	-	-	-	190,262	190,262	-	
Lease liabilities	-	-	-	-	-	245	245	-	
Total liabilities	2,674,148	2,477,863	2,062,598	3,271,311	5,465,000	581,582	16,532,502		
Total interest/profit sensitivity gap	(1,526,538)	(2,097,998)	(1,271,594)	4,539,505	7,974,597	(1,681,668)	5,936,304		

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52. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(i) Interest/profit rate risk (cont'd.)

Bank 2020	<----- 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				
Assets									
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	-	
Total assets	1,182,127	302,256	831,537	5,897,283	15,132,208	(620,039)	22,725,372		

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. Financial Instruments Risk (cont'd.)

(b) Market risk (cont'd.)

(i) Interest/profit rate risk (cont'd.)

Bank 2020 (cont'd.)	<----- 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				
Equity and liabilities									
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	-	
Total liabilities	2,658,686	2,134,272	2,169,461	2,428,291	5,515,000	556,243	15,461,953		
Total interest/profit sensitivity gap	(1,476,559)	(1,832,016)	(1,337,924)	3,468,992	9,617,208	(1,176,282)	7,263,419		

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52. 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.

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(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 2021	<----- 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	
Assets							
Cash and short term deposits	966,678	-	-	-	-	-	966,678
Deposits and placements with financial institutions	6,029	1,014,771	1,103,767	-	-	-	2,124,567
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863
Financial investments at FVOCI	-	13,905	132,978	2,813,149	2,979,616	10,280	5,949,928
Loans, financing and advances							
- non-impaired	1,264,227	124,053	757,903	5,588,952	9,766,100	1,699	17,502,934
- impaired *	-	-	-	-	-	(1,428,325)	(1,428,325)
Insurance receivables	-	2,838	38,109	103,398	52,414	-	196,759
Reinsurance assets	-	-	-	-	-	642	642
Other assets	-	-	-	-	-	333,601	333,601
Total assets	2,236,934	1,155,567	2,032,757	8,505,499	12,798,130	(1,067,240)	25,661,647

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

Group 2021 (cont'd.)	<----- 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	
Equity and liabilities							
Deposits from customers	1,612,801	1,967,846	2,042,933	351,172	-	-	5,974,752
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496
Premium liabilities	-	-	-	-	-	261,598	261,598
Insurance payables	-	-	427	-	-	-	427
Other liabilities	55	156	649	286	-	137,628	138,774
Redeemable notes/Sukuk	-	507,153	505,721	2,908,053	5,376,926	-	9,297,853
Borrowings	-	2,540	-	-	150,000	-	152,540
Infrastructure support fund	-	-	-	-	-	303,974	303,974
Deferred income	-	-	-	-	-	190,262	190,262
Lease liabilities	115	213	372	167	-	-	867
Total liabilities	2,644,467	2,477,908	2,550,102	3,259,678	5,526,926	893,462	17,352,543
Net maturity mismatches	(407,533)	(1,322,341)	(517,345)	5,245,821	7,271,204	(1,960,702)	8,309,104

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

Group 2020	<----- 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	
Assets							
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
Total assets	1,938,227	450,960	869,258	6,034,361	14,559,814	(620,626)	23,231,994

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

Group 2020 (cont'd.)	<----- 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	
Equity and liabilities							
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
Total liabilities	2,617,116	2,127,391	2,173,640	2,403,651	5,584,256	607,609	15,513,663
Net maturity mismatches	(678,889)	(1,676,431)	(1,304,382)	3,630,710	8,975,558	(1,228,235)	7,718,331

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

Bank 2021	<----- 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	
Assets							
Cash and short term deposits	825,847	-	-	-	-	-	825,847
Deposits and placements with financial institutions	-	258,154	-	-	-	-	258,154
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863
Financial investments at FVOCI	-	10,173	55,735	2,371,398	2,767,989	10,281	5,215,576
Loans, financing and advances							
- non-impaired	1,218,619	111,661	734,709	5,460,501	9,757,606	1,699	17,284,795
- impaired *	-	-	-	-	-	(1,419,832)	(1,419,832)
Other assets	-	-	-	-	-	289,403	289,403
Total assets	2,044,466	379,988	790,444	7,831,899	12,525,595	(1,103,586)	22,468,806

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

Bank 2021 (cont'd.)	<----- 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	
Equity and liabilities							
Deposits from customers	1,612,801	1,967,846	2,042,933	351,172	-	-	5,974,752
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496
Other liabilities	-	-	-	-	-	87,101	87,101
Redeemable notes/Sukuk	-	507,153	-	2,908,053	5,376,926	-	8,792,132
Borrowings	-	2,540	-	-	150,000	-	152,540
Infrastructure support fund	-	-	-	-	-	303,974	303,974
Deferred income	-	-	-	-	-	190,262	190,262
Lease liabilities	2	4	89	150	-	-	245
Total liabilities	2,644,299	2,477,543	2,043,022	3,259,375	5,526,926	581,337	16,532,502
Net maturity mismatches	(599,833)	(2,097,555)	(1,252,578)	4,572,524	6,998,669	(1,684,923)	5,936,304

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

Bank 2020	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	
Assets							
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
Total assets	1,749,211	302,256	831,311	5,912,288	14,553,343	(623,037)	22,725,372

* This is arrived at after deducting Stage 1, Stage 2 and Stage 3 ECL from the outstanding gross impaired loans/financing.

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (cont'd.)

Bank 2020 (cont'd.)	<----- 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	
Equity and liabilities							
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
Total liabilities	2,617,116	2,127,391	2,173,639	2,403,621	5,584,256	555,930	15,461,953
Net maturity mismatches	(867,905)	(1,825,135)	(1,342,328)	3,508,667	8,969,087	(1,178,967)	7,263,419

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52. 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 2021 and 31 December 2020. 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.

	<----- 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	
Group 2021							
Liabilities							
Deposits from customers	1,614,295	1,975,323	2,062,598	359,745	-	-	6,011,961
Deposits and placements from financial institutions	1,032,182	-	-	-	-	-	1,032,182
Premium liabilities	-	-	-	-	-	261,598	261,598
Insurance payables	-	-	427	-	-	-	427
Other liabilities	55	156	649	286	-	137,628	138,774
Redeemable notes/Sukuk	-	521,400	523,934	3,379,863	7,704,001	-	12,129,198
Borrowings	-	3,679	3,620	29,216	164,527	-	201,042
Lease liabilities	130	241	428	272	-	-	1,071
Total liabilities	2,646,662	2,500,799	2,591,656	3,769,382	7,868,528	399,226	19,776,253

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

Group 2020	<----- 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	
Liabilities							
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
Total liabilities	2,618,874	2,135,183	2,224,148	2,226,201	7,529,558	101,306	16,835,270

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52. Financial Instruments Risk (cont'd.)

(c) Liquidity risk (cont'd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank 2021	<----- 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	
Liabilities							
Deposits from customers	1,614,295	1,975,323	2,062,598	359,745	-	-	6,011,961
Deposits and placements from financial institutions	1,032,182	-	-	-	-	-	1,032,182
Other liabilities	-	-	-	-	-	87,101	87,101
Redeemable notes/Sukuk	-	521,400	-	3,379,863	7,704,001	-	11,605,264
Borrowings	-	3,679	3,620	29,216	164,527	-	201,042
Lease liabilities	14	29	128	268	-	-	439
Total liabilities	2,646,491	2,500,431	2,066,346	3,769,092	7,868,528	87,101	18,937,989
2020							
Liabilities							
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
Total liabilities	2,618,873	2,135,180	2,224,137	2,226,167	7,529,558	49,627	16,783,542

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53. 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.

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53. 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	2021				2020			
	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
<u>Assets measured at fair value:</u>								
Financial investments at FVTPL	-	14,863	-	14,863	-	45,566	-	45,566
Financial investments at FVOCI	10,280	5,939,648	-	5,949,928	109,672	6,021,866	-	6,131,538
Total financial assets carried at fair value				<u>5,964,791</u>				<u>6,177,104</u>
<u>Assets for which fair values are disclosed (Note 53 (b)):</u>								
Loans, financing and advances	-	-	16,628,539	16,628,539	-	-	16,068,693	16,068,693
<u>Liabilities for which fair values are disclosed (Note 53 (b)):</u>								
Redeemable notes/Sukuk	-	-	9,507,093	9,507,093	-	-	8,658,191	8,658,191
Borrowings	-	-	222,591	222,591	-	-	524,214	524,214

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53. 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	2021				2020			
	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
<u>Assets measured at fair value:</u>								
Financial investments at FVTPL	-	14,863	-	14,863	-	45,566	-	45,566
Financial investments at FVOCI	10,280	5,205,296	-	5,215,576	109,672	6,021,866	-	6,131,538
Total financial assets carried at fair value				<u>5,230,439</u>				<u>6,177,104</u>
<u>Assets for which fair values are disclosed (Note 53 (b)):</u>								
Loans, financing and advances	-	-	16,368,467	16,368,467	-	-	15,836,537	15,836,537
<u>Liabilities for which fair values are disclosed (Note 53 (b)):</u>								
Redeemable notes/Sukuk	-	-	8,999,153	8,999,153	-	-	8,658,191	8,658,191
Borrowings	-	-	222,591	222,591	-	-	524,214	524,214

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53. 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.)

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 5.92% (2020: 2.37% to 6.05%) 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 2.80% to 6.30% (2020: 2.81% to 6.30%).

(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	Fair value	Carrying value	Fair value
2021	RM'000	RM'000	RM'000	RM'000
Financial assets				
Loans, financing and advances	16,074,609	16,628,539	15,864,963	16,368,467
Financial liabilities				
Redeemable notes/Sukuk	9,297,853	9,507,093	8,792,132	8,999,153
Borrowings	152,540	222,591	152,540	222,591
2020				
Financial assets				
Loans, financing and advances	15,584,069	16,068,693	15,394,417	15,836,537
Financial liabilities				
Redeemable notes/Sukuk	8,249,316	8,658,191	8,249,316	8,658,191
Borrowings	508,466	524,214	508,466	524,214

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53. Fair Values Measurements (cont'd.)

(b) Financial assets and liabilities not carried at fair value (cont'd.)

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.

(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.

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53. Fair Values Measurements (cont'd.)

(b) Financial assets and liabilities not carried at fair value (cont'd.)

(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.

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54. Islamic Financial Business

The state of affairs as at 31 December 2021 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 2021

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term deposits	(a)	788,780	820,525	706,342	740,292
Deposits and placements with financial institutions	(b)	238,130	-	238,130	-
Financial investments at FVTPL	(c)	14,863	45,566	14,863	45,566
Financial investments at FVOCI	(d)	4,344,354	2,515,982	4,344,354	2,515,982
Financing and advances	(e)	13,479,456	11,454,582	13,341,520	11,342,828
Other assets	(f)	1,157,854	1,863,432	1,157,676	1,863,156
Property, plant and equipment		83,807	84,180	83,807	84,180
Investment properties		322	330	322	330
Intangible asset		7,478	6,045	7,478	6,045
Right-of-use asset		236	301	236	301
Deferred tax asset		284,271	110,571	284,114	110,461
Total assets		20,399,551	16,901,514	20,178,842	16,709,141
Liabilities					
Deposits from customers	(g)	5,974,752	5,346,836	5,974,752	5,346,836
Deposits from financial institutions	(h)	731,346	80,092	731,346	80,092
Other liabilities	(i)	165,054	132,481	56,745	48,451
Sukuk	(j)	8,080,341	7,082,700	8,080,341	7,082,700
Infrastructure support fund		303,974	303,974	303,974	303,974
Deferred income		190,262	201,800	190,262	201,800
Lease liabilities		245	313	245	313
Deferred tax liabilities		246	171	-	-
Total liabilities		15,446,220	13,148,367	15,337,665	13,064,166

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54. Islamic Financial Business (cont'd.)

Statements of Financial Position
As at 31 December 2021 (cont'd.)

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Equity					
Capital funds		3,078,724	2,722,657	3,078,724	2,722,657
Reserves	(k)	1,874,607	1,030,490	1,762,453	922,318
Total equity		<u>4,953,331</u>	<u>3,753,147</u>	<u>4,841,177</u>	<u>3,644,975</u>
Total liabilities and equity		<u>20,399,551</u>	<u>16,901,514</u>	<u>20,178,842</u>	<u>16,709,141</u>
Commitments and contingencies	(t)	<u>6,970,213</u>	<u>6,493,715</u>	<u>6,970,213</u>	<u>6,493,715</u>

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54. Islamic Financial Business (cont'd.)

Statements of Profit or Loss
For the Financial Year Ended 31 December 2021

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	(l)	219,951	203,557	219,951	203,557
Income derived from investment of shareholders' funds	(m)	801,258	782,760	788,011	775,521
Allowance for impairment losses on financing and advances	(n)	(575,362)	(655,280)	(570,297)	(644,968)
Allowance for impairment losses on other assets	(o)	(51,522)	(9,526)	(51,522)	(9,526)
Total distributable income		394,325	321,511	386,143	324,584
Income attributable to the depositors	(p)	(144,172)	(145,962)	(144,172)	(145,962)
Total net income		250,153	175,549	241,971	178,622
Overhead expenses	(q)	(117,308)	(59,563)	(114,568)	(57,551)
Finance cost	(r)	(328,486)	(284,260)	(328,486)	(284,260)
Loss before taxation and zakat		(195,641)	(168,274)	(201,083)	(163,189)
Tax credit		41,549	38,853	41,738	38,057
Zakat	(s)	(9,546)	(9,688)	(8,275)	(8,769)
Loss for the year		(163,638)	(139,109)	(167,620)	(133,901)

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54. Islamic Financial Business (cont'd.)

Statements of Comprehensive Income
For the Financial Year Ended 31 December 2021

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Loss for the year	(163,638)	(139,109)	(167,620)	(133,901)
Other comprehensive (loss)/ income				
<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	15,973	(25,235)	15,973	(25,235)
<u>Items that may be reclassified to profit or loss:</u>				
Debt instruments at fair value through other comprehensive income:				
- Net change in fair value during the year	(251,336)	74,584	(251,336)	74,584
- Changes in allowance for expected credit losses	51,615	9,432	51,615	9,432
	<u>(183,748)</u>	<u>58,781</u>	<u>(183,748)</u>	<u>58,781</u>
Income tax effect (Note 54(k)(ii))	60,321	(17,900)	60,321	(17,900)
	<u>60,321</u>	<u>(17,900)</u>	<u>60,321</u>	<u>(17,900)</u>
Other comprehensive (loss)/ income for the year, net of tax	<u>(123,427)</u>	<u>40,881</u>	<u>(123,427)</u>	<u>40,881</u>
Total comprehensive loss for the year	<u>(287,065)</u>	<u>(98,228)</u>	<u>(291,047)</u>	<u>(93,020)</u>
Total comprehensive loss attributable to:				
Shareholders of the Bank	(287,065)	(98,228)	(291,047)	(93,020)
	<u>(287,065)</u>	<u>(98,228)</u>	<u>(291,047)</u>	<u>(93,020)</u>

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Notes to the Financial Statements - 31 December 2021

54. Islamic Financial Business (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net income from Islamic financial business:				
Income derived from investment of depositors' funds	219,951	203,557	219,951	203,557
Income derived from investment of shareholders' funds	801,258	782,760	788,011	775,521
Income attributable to the depositors	(144,172)	(145,962)	(144,172)	(145,962)
Finance cost	(328,486)	(284,260)	(328,486)	(284,260)
Net income from Islamic financial business reported in the statements of profit or loss	<u>548,551</u>	<u>556,095</u>	<u>535,304</u>	<u>548,856</u>

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54. Islamic Financial Business (cont'd.)

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2021

Group	Capital funds RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
At 1 January 2021	2,722,657	443,483	195,475	391,532	3,753,147
Loss for the year	-	-	-	(163,638)	(163,638)
Other comprehensive loss for the year	-	-	(123,427)	-	(123,427)
Total comprehensive loss for the year	-	-	(123,427)	(163,638)	(287,065)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	9,083	(9,083)	-
Capital re-allocation	356,067	-	-	1,206,182	1,562,249
Dividend paid	-	-	-	(75,000)	(75,000)
At 31 December 2021	3,078,724	443,483	81,131	1,349,993	4,953,331
At 1 January 2020	1,717,418	443,483	154,415	608,034	2,923,350
Loss for the year	-	-	-	(139,109)	(139,109)
Other comprehensive income 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)	-
Transfer to statutory reserve	-	-	-	-	-
Capital re-allocation	1,005,239	-	-	75,000	1,080,239
Dividend paid	-	-	-	(152,214)	(152,214)
At 31 December 2020	2,722,657	443,483	195,475	391,532	3,753,147

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Notes to the Financial Statements - 31 December 2021

54. Islamic Financial Business (cont'd.)

Statement of Changes in Equity
For the Financial Year Ended 31 December 2021

	Capital funds RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
Bank					
At 1 January 2021	2,722,657	443,483	195,475	283,360	3,644,975
Loss for the year	-	-	-	(167,620)	(167,620)
Other comprehensive loss for the year	-	-	(123,427)	-	(123,427)
Total comprehensive loss for the year	-	-	(123,427)	(167,620)	(291,047)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	9,083	(9,083)	-
Capital re-allocation	356,067	-	-	1,206,182	1,562,249
Dividend paid	-	-	-	(75,000)	(75,000)
At 31 December 2021	3,078,724	443,483	81,131	1,237,839	4,841,177
At 1 January 2020	1,717,418	443,483	154,415	569,654	2,884,970
Loss for the year	-	-	-	(133,901)	(133,901)
Other comprehensive income 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)
At 31 December 2020	2,722,657	443,483	195,475	283,360	3,644,975

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Notes to the Financial Statements - 31 December 2021

54. Islamic Financial Business (cont'd.)

Statements of Cash Flows

For the Financial Year Ended 31 December 2021

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Loss before taxation and zakat	(195,641)	(168,274)	(201,083)	(163,189)
Adjustments for:				
Net gain on sale of financial investments at FVOCI (Note 54(m))	(35,194)	(8,242)	(35,194)	(8,242)
Depreciation of property, plant and equipment (Note 54(q)(ii))	4,537	-	4,537	-
Depreciation of investment properties (Note 54(q)(ii))	8	-	8	-
Amortisation of intangible assets (Note 54(q)(ii))	2,530	-	2,530	-
Depreciation of right-of-use assets (Note 54(q)(ii))	152	-	152	-
Accretion of discount less amortisation of premium of financial investments (Note 54(m))	9,044	(2,986)	9,044	(2,986)
Allowance for impairment losses on financing and advances, net (Note 54(n))	599,182	668,581	593,713	660,355
Loss due to financing modification (Note 54(l) and Note 54(m))	4,359	62	4,359	62
Impairment allowance for:				
Financial investments at FVOCI (Note 54(o))	51,615	9,432	51,615	9,432
Impaired financing written off (Note 54(n))	2,419	2,459	2,309	50
Fixed asset written off (Note 54(q)(iv))	84	-	84	-
(Write back)/allowance made for ex-staff financing (Note 54(o))	(93)	94	(93)	94
Balance carried forward	443,002	501,126	431,981	495,576

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54. Islamic Financial Business (cont'd.)

Statements of Cash Flows

For the Financial Year Ended 31 December 2021 (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Balance brought forward	443,002	501,126	431,981	495,576
Unrealised loss/(gain) on FVTPL (Note 54(m))	30,703	(4,999)	30,703	(4,999)
Compensation from the Government (Note 54(m))	(105,555)	(33,069)	(105,555)	(33,069)
Operating cash flows before working capital changes	368,150	463,058	357,129	457,508
Increase in operating assets:				
Deposits and placements with financial institutions	(238,130)	150,681	(238,130)	150,681
Financing and advances	(2,630,835)	(879,451)	(2,599,073)	(788,591)
Other assets	88,213	(2,564,623)	89,616	(2,563,280)
	(2,780,752)	(3,293,393)	(2,747,587)	(3,201,190)
Increase in operating liabilities:				
Deposits from customers	627,916	494,650	627,916	494,650
Deposits and placements from financial institutions	651,254	(421,427)	651,254	(421,427)
Other liabilities	34,771	837,003	10,422	777,496
	1,313,941	910,226	1,289,592	850,719
Cash used in operating activities	(1,098,661)	(1,920,109)	(1,100,866)	(1,892,963)
Finance cost on lease liabilities (Note 54(r))	(17)	(12)	(17)	(12)
Zakat paid	(9,568)	(30,386)	(9,568)	(30,386)
Net cash used in operating activities	(1,108,246)	(1,950,507)	(1,110,451)	(1,923,361)
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 15)	(4,784)	-	(4,784)	-
Balance carried forward	(4,784)	-	(4,784)	-

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54. Islamic Financial Business (cont'd.)

Statements of Cash Flows

For the Financial Year Ended 31 December 2021 (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities (cont'd.)				
Balance brought forward	(4,784)	-	(4,784)	-
Purchase of intangible assets (Note 17)	(3,427)	-	(3,427)	-
Purchase of financial investments at FVOCI	(1,117,293)	(986,675)	(1,117,293)	(986,675)
Proceeds from disposal of financial investments at FVOCI	1,290,986	445,506	1,290,986	445,506
Proceeds from maturity of financial investments at FVOCI	82,393	-	82,393	-
Conversion from Conventional to Islamic	(1,700,000)	-	(1,700,000)	-
Net cash used in investing activities	<u>(1,452,125)</u>	<u>(541,169)</u>	<u>(1,452,125)</u>	<u>(541,169)</u>
Cash flows from financing activities				
Net payment of Sukuk	(700,000)	-	(700,000)	-
Proceeds from government compensation	41,532	-	41,532	-
Proceeds from Sukuk issuance	1,700,000	1,000,000	1,700,000	1,000,000
Capital re-allocation	1,562,249	1,080,239	1,562,249	1,005,239
Payment of principal portion of lease	(155)	-	(155)	-
Dividends paid	(75,000)	(152,214)	(75,000)	(152,214)
Net cash generated from financing activities	<u>2,528,626</u>	<u>1,928,025</u>	<u>2,528,626</u>	<u>1,853,025</u>
Net decrease in cash cash and equivalents	<u>(31,745)</u>	<u>(563,651)</u>	<u>(33,950)</u>	<u>(611,505)</u>
Cash and cash equivalents at beginning of the year	<u>820,525</u>	<u>1,384,176</u>	<u>740,292</u>	<u>1,351,797</u>
Cash and cash equivalents at end of the year	<u>788,780</u>	<u>820,525</u>	<u>706,342</u>	<u>740,292</u>

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Notes to the Financial Statements - 31 December 2021

54. Islamic Financial Business (cont'd.)

Statements of Cash Flows

For the Financial Year Ended 31 December 2021 (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents comprise:				
Cash and short term deposits (Note (a))	788,780	820,525	706,342	740,292

(a) Cash and Short Term Deposits

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with financial institutions	4,644	2,701	3,047	1,508
Money at call and deposit placements maturing within one month	784,136	817,824	703,295	738,784
	<u>788,780</u>	<u>820,525</u>	<u>706,342</u>	<u>740,292</u>

(b) Deposits and placements with financial institutions

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	238,130	-	238,130	-

(c) Financial Investments at FVTPL

	Group and Bank	
	2021	2020
	RM'000	RM'000
At fair value		
Equity Securities:		
Unquoted shares	14,863	45,566
Total financial investments at FVTPL	<u>14,863</u>	<u>45,566</u>

Included in the financial investments at FVTPL for the current and prior financial years is a private debt securities with a cost of RM405,364,712 and a fair value of RM nil.

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54. Islamic Financial Business (cont'd.)

(d) Financial Investments at FVOCI

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At fair value				
Debt Instruments:				
Money market instruments:				
Government investment issues	1,427,619	511,056	1,427,619	511,056
Cagamas	10,008	25,033	10,008	25,033
	<u>1,437,627</u>	<u>536,089</u>	<u>1,437,627</u>	<u>536,089</u>
Unquoted securities:				
Sukuk	2,896,447	1,870,221	2,896,447	1,870,221
	<u>2,896,447</u>	<u>1,870,221</u>	<u>2,896,447</u>	<u>1,870,221</u>
Equity Securities:				
Quoted shares	10,280	109,672	10,280	109,672
	<u>10,280</u>	<u>109,672</u>	<u>10,280</u>	<u>109,672</u>
Total financial investments at FVOCI	<u>4,344,354</u>	<u>2,515,982</u>	<u>4,344,354</u>	<u>2,515,982</u>

Movements in allowances for impairment which reflect the ECL allowance are as follows:

	Lifetime ECL			
	12-Month ECL	Not Credit Impaired	Credit Impaired	
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Group and Bank				
At 1 January	524	65,108	-	65,632
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	-	-
Net allowance made	207	51,408	-	51,615
New financial investments purchased	85	-	-	85
Net allowance made	122	51,408	-	51,530
At 31 December	<u>227</u>	<u>117,020</u>	<u>-</u>	<u>117,247</u>

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Notes to the Financial Statements - 31 December 2021

54. 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 (cont'd.):

2020	Lifetime ECL			Total
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
Group and Bank				RM'000
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

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Notes to the Financial Statements - 31 December 2021

54. Islamic Financial Business (cont'd.)

(e) Financing and Advances

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil	8,517	44,688	7,387	43,558
Murabahah	-	8,315	-	8,315
Istisna'	1,320,648	1,511,340	1,320,648	1,511,340
Ijarah Muntahiyah bi Tamlik	96,063	65,062	1,226	1,221
Tawarruq financing asset	13,873,669	11,266,928	13,860,378	11,244,891
Tawarruq financing working capital	393,400	269,323	393,400	269,323
Tawarruq revolving working capital	130,341	130,339	130,341	130,339
Factoring-i	36,359	30,059	-	-
Hire purchase-i	10,942	7,841	-	-
Staff financing	3,393	4,066	3,393	4,066
Gross financing and advances	15,873,332	13,337,961	15,716,773	13,213,053
Allowance for impairment on financing and advances:				
- Stage 1: 12-Month ECL	(1,280,819)	(833,229)	(1,279,667)	(831,445)
- Stage 2: Lifetime ECL not credit impaired	(592,372)	(596,943)	(592,354)	(596,186)
- Stage 3: Lifetime ECL credit impaired	(520,685)	(453,207)	(503,232)	(442,594)
	(2,393,876)	(1,883,379)	(2,375,253)	(1,870,225)
Net financing and advances	13,479,456	11,454,582	13,341,520	11,342,828

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Notes to the Financial Statements - 31 December 2021

54. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah contract are as follows:

Group	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Factoring-i RM'000	Hire purchase-i RM'000	Total RM'000
2021								
At amortised cost								
Term facility								
Sale-based financing	8,517	-	1,320,648	-	13,873,669	36,359	10,942	15,250,135
Lease-based financing	-	-	-	96,063	-	-	-	96,063
Working capital facility								
Sale-based financing	-	-	-	-	393,400	-	-	393,400
Revolving facility								
Sale-based financing	-	-	-	-	130,341	-	-	130,341
Staff financing	3,393	-	-	-	-	-	-	3,393
Gross financing and advances	11,910	-	1,320,648	96,063	14,397,410	36,359	10,942	15,873,332
Allowance for impairment on financing and advances:								
Stage 1: 12-Month ECL	-	-	-	-	-	-	-	(1,280,819)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	-	-	(592,372)
Stage 3: Lifetime ECL credit impaired	-	-	-	-	-	-	-	(520,685)
Net financing and advances	-	-	-	-	-	-	-	13,479,456

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Notes to the Financial Statements - 31 December 2021

54. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah contract are as follows (cont'd.):

Group	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Factoring-i RM'000	Hire purchase-i RM'000	Total RM'000
2020								
At amortised cost								
Term facility								
Sale-based financing	44,688	8,315	1,511,340	-	11,266,928	30,059	7,841	12,869,171
Lease-based financing	-	-	-	65,062	-	-	-	65,062
Working capital facility								
Sale-based financing	-	-	-	-	269,323	-	-	269,323
Revolving facility								
Sale-based financing	-	-	-	-	130,339	-	-	130,339
Staff financing	4,066	-	-	-	-	-	-	4,066
Gross financing and advances	48,754	8,315	1,511,340	65,062	11,666,590	30,059	7,841	13,337,961
Allowance for impairment on financing and advances:								
Stage 1: 12-Month ECL	-	-	-	-	-	-	-	(833,229)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	-	-	(596,943)
Stage 3: Lifetime ECL credit impaired	-	-	-	-	-	-	-	(453,207)
Net financing and advances	-	-	-	-	-	-	-	11,454,582

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54. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah contract are as follows (cont'd.):

Bank	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
2021						
At amortised cost						
Term facility						
Sale-based financing	7,387	-	1,320,648	-	13,860,378	15,188,413
Lease-based financing	-	-	-	1,226	-	1,226
Working capital facility						
Sale-based financing	-	-	-	-	393,400	393,400
Revolving facility						
Sale-based financing	-	-	-	-	130,341	130,341
Staff financing	3,393	-	-	-	-	3,393
Gross financing and advances	10,780	-	1,320,648	1,226	14,384,119	15,716,773
Allowance for impairment on financing and advances:						
Stage 1: 12-Month ECL	-	-	-	-	-	(1,279,667)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	(592,354)
Stage 3: Lifetime ECL credit Impaired	-	-	-	-	-	(503,232)
Net financing and advances	-	-	-	-	-	13,341,520

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54. Islamic Financial Business (cont'd.)

(e) Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah contract are as follows (cont'd.):

Bank	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
2020						
At amortised cost						
Term facility						
Sale-based financing	43,558	8,315	1,511,340	-	11,244,891	12,808,104
Lease-based financing	-	-	-	1,221	-	1,221
Working capital facility						
Sale-based financing	-	-	-	-	269,323	269,323
Revolving facility						-
Sale-based financing	-	-	-	-	130,339	130,339
Staff financing	4,066	-	-	-	-	4,066
Gross financing and advances	47,624	8,315	1,511,340	1,221	11,644,553	13,213,053
Allowance for impairment on financing and advances:						
Stage 1: 12-Month ECL	-	-	-	-	-	(831,445)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	(596,186)
Stage 3: Lifetime ECL credit Impaired	-	-	-	-	-	(442,594)
Net financing and advances	-	-	-	-	-	11,342,828

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54. Islamic Financial Business (cont'd.)

(e) Financing and Advances (cont'd.)

(ii) Financing and advances analysed by type of customers are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Domestic business enterprises	15,868,809	13,333,895	15,713,380	13,208,987
Individual	4,523	4,066	3,393	4,066
	<u>15,873,332</u>	<u>13,337,961</u>	<u>15,716,773</u>	<u>13,213,053</u>

(iii) Financing and advances analysed by profit rate sensitivity are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Housing financing	4,523	4,066	3,393	4,066
Other fixed rate financing	7,873,040	7,512,737	7,728,553	7,387,829
Hire purchase receivable	10,942	-	-	-
Variable rate:				
Cost plus	2,472,051	3,379,332	2,472,051	3,379,332
Other variable rates	5,512,776	2,441,826	5,512,776	2,441,826
	<u>15,873,332</u>	<u>13,337,961</u>	<u>15,716,773</u>	<u>13,213,053</u>

(iv) Financing and advances analysed by geographical distribution are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Within Malaysia	<u>15,873,332</u>	<u>13,337,961</u>	<u>15,716,773</u>	<u>13,213,053</u>

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54. Islamic Financial Business (cont'd.)

(e) Financing and Advances (cont'd.)

(v) Financing and advances analysed by industry are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting & forestry	-	11	-	-
Construction	7,562,327	6,832,105	7,562,327	6,832,105
Education	1,505,900	1,627,075	1,505,900	1,627,075
Electricity, gas and water supply	551,718	145,938	550,827	145,938
Finance, takaful and business	71,774	90,550	-	-
Hotel and restaurants	532,229	424,079	496,754	394,020
Housing	4,523	4,066	3,393	4,066
Manufacturing	260,549	255,874	260,549	255,857
Marine related	483,143	325,627	483,143	325,627
Other community, social and personal service activities	86,067	56,246	57,797	54,133
Public administration and defence	20,964	8,281	20,964	8,281
Real Estate, renting and business activity	1,407,301	-	1,407,301	-
Shipping	606,558	622,270	606,558	622,270
Shipyard	130,341	130,339	130,341	130,339
Transport, storage and communication	2,649,938	2,815,500	2,630,919	2,813,342
	15,873,332	13,337,961	15,716,773	13,213,053

(vi) The maturity structure of financing and advances are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	1,065,061	1,199,502	1,018,077	1,149,117
One year to three years	1,903,362	1,714,521	1,859,592	1,664,312
Three years to five years	2,375,108	1,537,029	2,309,303	1,512,715
Over five years	10,529,801	8,886,909	10,529,801	8,886,909
	15,873,332	13,337,961	15,716,773	13,213,053

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54. Islamic Financial Business (cont'd.)

(e) Financing and Advances (cont'd.)

(vii) Movements in gross 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
2021				
At 1 January	11,118,596	1,459,805	759,560	13,337,961
- Transfer to 12-month ECL (Stage 1)	20,126	(1,117)	(19,009)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(275,034)	299,066	(24,032)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(90,644)	(124,429)	215,073	-
Remeasurement, net	1,922,064	287,025	(13,824)	2,195,265
New accounts	900,671	1,726	-	902,397
Matured accounts	(469,727)	(793)	(776)	(471,296)
Written-off	-	-	(90,995)	(90,995)
At 31 December	<u>13,126,052</u>	<u>1,921,283</u>	<u>825,997</u>	<u>15,873,332</u>
2020				
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	<u>11,118,596</u>	<u>1,459,805</u>	<u>759,560</u>	<u>13,337,961</u>

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54. Islamic Financial Business (cont'd.)

(e) Financing and Advances (cont'd.)

(vii) Movements in gross 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
2021				
At 1 January	11,010,635	1,453,454	748,964	13,213,053
- Transfer to 12-month ECL (Stage 1)	18,664	-	(18,664)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(273,988)	298,020	(24,032)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(82,684)	(124,429)	207,113	-
Remeasurement, net	1,907,319	293,110	(13,841)	2,186,588
New accounts	741,852	-	-	741,852
Matured accounts	(333,725)	-	-	(333,725)
Written-off	-	-	(90,995)	(90,995)
At 31 December	<u>12,988,073</u>	<u>1,920,155</u>	<u>808,545</u>	<u>15,716,773</u>
2020				
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	<u>11,010,635</u>	<u>1,453,454</u>	<u>748,964</u>	<u>13,213,053</u>

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54. Islamic Financial Business (cont'd.)

(e) Financing and Advances (cont'd.)

(viii) Impaired financing and advances analysed by industry are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Construction	109,621	81,686	109,621	81,654
Education	-	33,228	-	33,228
Electricity, gas and water supply	153,642	22,224	153,642	22,224
Hotel and restaurants	113,606	122,682	105,782	114,333
Manufacturing	-	17,238	-	17,238
Shipping	307,436	348,462	307,436	348,462
Other community, social and personal service activities	9,545	1,610	-	-
Transport, storage and communication	132,147	132,430	132,064	131,825
	<u>825,997</u>	<u>759,560</u>	<u>808,545</u>	<u>748,964</u>
Gross impaired financing and advances as a % of gross financing and advances	<u>5.20%</u>	<u>5.69%</u>	<u>5.14%</u>	<u>5.67%</u>

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54. Islamic Financial Business (cont'd.)

(e) Financing and Advances (cont'd.)

(ix) 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
2021				
At 1 January	833,229	596,943	453,207	1,883,379
- Transfer to 12-Month ECL (Stage 1)	12,987	(158)	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	47,767	(14,945)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	-
Allowance made, net	481,496	41,742	75,944	599,182
Amount written off	-	-	(88,685)	(88,685)
At 31 December	<u>1,280,819</u>	<u>592,372</u>	<u>520,685</u>	<u>2,393,876</u>
2020				
At 1 January	595,108	197,686	424,123	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	305,521	331,857	31,203	668,581
Amount written off	-	-	(2,119)	(2,119)
At 31 December	<u>833,229</u>	<u>596,943</u>	<u>453,207</u>	<u>1,883,379</u>

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54. Islamic Financial Business (cont'd.)

(e) Financing and Advances (cont'd.)

(ix) Movements in the allowance for impairment of 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
2021				
At 1 January	831,445	596,186	442,594	1,870,225
- Transfer to 12-Month ECL (Stage 1)	12,829	-	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	47,767	(14,945)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	-
Allowance\writeback) made,	482,286	42,323	69,104	593,713
Amount written off	-	-	(88,685)	(88,685)
At 31 December	<u>1,279,667</u>	<u>592,354</u>	<u>503,232</u>	<u>2,375,253</u>
2020				
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	<u>831,445</u>	<u>596,186</u>	<u>442,594</u>	<u>1,870,225</u>

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54. Islamic Financial Business (cont'd.)

(f) Other Assets

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Sundry receivables, deposits and prepayments	8,322	8,899	8,144	8,623
Amount receivable from Government in respect of compensation for:				
Infrastructure projects	196,207	146,937	196,207	146,937
Foreign exchange differences	85,361	85,361	85,361	85,361
Interfund receivables	868,463	1,622,826	868,463	1,622,826
	<u>1,158,353</u>	<u>1,864,023</u>	<u>1,158,175</u>	<u>1,863,747</u>
Allowance for impairment on ex-staff financing:				
- Stage 1: 12-Month ECL	(1)	(1)	(1)	(1)
- Stage 3: Lifetime ECL credit impaired	(498)	(590)	(498)	(590)
	<u>1,157,854</u>	<u>1,863,432</u>	<u>1,157,676</u>	<u>1,863,156</u>

(g) Deposits from Customers

	Group and Bank	
	2021	2020
	RM'000	RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	<u>5,974,752</u>	<u>5,346,836</u>
(a) The deposits are sourced from the following types of deposit:		
Tawarruq	<u>5,974,752</u>	<u>5,346,836</u>
(b) The deposits are sourced from the following types of customers:		
Business enterprises	2,880,530	1,462,647
Government and statutory bodies	3,094,222	3,884,189
	<u>5,974,752</u>	<u>5,346,836</u>

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54. Islamic Financial Business (cont'd.)

(g) Deposits from Customers (cont'd.)

	Group and Bank	
	2021	2020
	RM'000	RM'000
(c) The deposits maturity structure are as follows:		
Less than six months	5,039,201	4,872,156
Six months to one year	584,378	131,416
One year to three years	280,362	161,300
Three years to five years	70,811	181,964
	<u>5,974,752</u>	<u>5,346,836</u>

(h) Deposits and Placements from Financial Institutions

	Group and Bank	
	2021	2020
	RM'000	RM'000
At amortised cost		
Licensed banks	<u>731,346</u>	<u>80,092</u>
(a) The deposits maturity structure are as follows:		
Less than six months	<u>731,346</u>	<u>80,092</u>

(i) Other Liabilities

		Group		Bank	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
Other payables		36,897	30,425	30,750	22,653
Zakat payables		12,262	10,742	10,991	9,823
Kafalah fees received in advance		15,004	16,883	15,004	15,975
Interfund payables	(i)	100,891	74,431	-	-
		<u>165,054</u>	<u>132,481</u>	<u>56,745</u>	<u>48,451</u>

(i) Interfund payables are unsecured, profit free and are repayable on demand.

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54. Islamic Financial Business (cont'd.)

(j) Sukuk

	Note	Group and Bank	
		2021	2020
		RM'000	RM'000
Non-guaranteed			
Sukuk Murabahah	(i)	3,034,467	3,034,661
Sukuk Wakalah	(ii)	2,259,654	1,006,598
Sustainable Development Sukuk Wakalah	(iii)	453,311	-
		<u>5,747,432</u>	<u>4,041,259</u>
Guaranteed			
Sukuk Murabahah	(iv)	2,332,909	3,041,441
		<u>2,332,909</u>	<u>3,041,441</u>
		<u>8,080,341</u>	<u>7,082,700</u>

- (i) These sukuk carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2027, 2032 and November 2026, 2031 and 2035 respectively.
- (ii) These sukuk carry profit rates ranging between 2.80% to 4.05% per annum and for tenures of 5 years to 10 years. These sukuk will mature in June 2026, 2028, 2031 and October 2025, 2027 and 2030 respectively.
- (iii) This sukuk carries a profit rate of 3.95% with a tenure of 7 years. This sukuk will mature in October 2028.
- (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.

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54. Islamic Financial Business (cont'd.)

(j) Sukuk (cont'd.)

The movements in the sukuk are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Non-guaranteed		
Sukuk Murabahah		
Principal		
At 1 January/31 December	3,000,000	3,000,000
Accrued profit payable		
At 1 January	34,661	34,278
Charge for the year	139,971	140,548
Payment during the year	(140,165)	(140,165)
At 31 December	34,467	34,661
	3,034,467	3,034,661
Sukuk Wakalah		
Principal		
At 1 January	1,000,000	-
Issued during the year	1,250,000	1,000,000
At 31 December	2,250,000	1,000,000
Accrued profit payable		
At 1 January	6,598	-
Charge for the year	56,088	6,598
Payment during the year	(53,032)	-
At 31 December	9,654	6,598
	2,259,654	1,006,598
Sustainable Development Sukuk Wakalah		
Principal		
At 1 January	-	-
Issued during the year	450,000	-
At 31 December	450,000	-
Accrued profit payable		
At 1 January	-	-
Charge for the year	3,311	-
At 31 December	3,311	-
	453,311	-

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54. Islamic Financial Business (cont'd.)

(j) Sukuk (cont'd.)

The movements in the sukuk are as follows (cont'd.):

	Group and Bank	
	2021	2020
	RM'000	RM'000
Guaranteed		
Sukuk Murabahah		
Principal		
At 1 January	3,000,000	3,000,000
Payment during the year	(700,000)	-
At 31 December	<u>2,300,000</u>	<u>3,000,000</u>
Accrued profit payable		
At 1 January	41,441	41,969
Charge for the year	129,097	137,101
Payment during the year	(137,630)	(137,629)
At 31 December	<u>32,908</u>	<u>41,441</u>
	<u>2,332,908</u>	<u>3,041,441</u>

(k) Reserves

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Non-distributable:					
Statutory reserve	(i)	443,483	443,483	443,483	443,483
Unrealised FVOCI reserve	(ii)	81,131	195,475	81,131	195,475
		<u>524,614</u>	<u>638,958</u>	<u>524,614</u>	<u>638,958</u>
Distributable:					
Retained profits		1,349,993	391,532	1,237,839	283,360
		<u>1,874,607</u>	<u>1,030,490</u>	<u>1,762,453</u>	<u>922,318</u>

- (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.

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54. Islamic Financial Business (cont'd.)

(k) Reserves (cont'd.)

- (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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At 1 January	195,475	154,415	195,475	154,415
Unrealised (loss)/gain on fair value changes	(235,363)	49,349	(235,363)	49,349
Changes in allowance for expected credit loss	51,615	9,432	51,615	9,432
Transfer from retained profits on the disposal of equity instruments at FVOCI	9,083	179	9,083	179
Transfer to deferred tax	60,321	(17,900)	60,321	(17,900)
At 31 December	<u>81,131</u>	<u>195,475</u>	<u>81,131</u>	<u>195,475</u>

(l) Income Derived from Investment of Depositors' Funds

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Finance Income				
Financing and advances	207,411	191,988	207,411	191,988
Loss on financing modification #	(1,383)	(75)	(1,383)	(75)
Other income:				
Fee income	14,372	10,950	14,372	10,950
Ta'widh	(449)	694	(449)	694
	<u>219,951</u>	<u>203,557</u>	<u>219,951</u>	<u>203,557</u>
Of which:				
Finance income earned on impaired financing and advances	<u>6,319</u>	<u>6,385</u>	<u>6,530</u>	<u>6,473</u>

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54. Islamic Financial Business (cont'd.)

(m) Income Derived from Investment of Shareholders' Funds

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Finance Income				
Financing and advances	481,861	465,252	472,084	460,142
(Loss)/gain on financing modification #	(2,976)	13	(2,976)	13
Compensation from the Government	105,555	33,069	105,555	33,069
Deposits and placements with financial institution	24,399	14,605	22,888	14,275
Financial investments at FVOCI	162,009	86,068	162,009	86,068
	<u>770,848</u>	<u>599,007</u>	<u>759,560</u>	<u>593,567</u>
Accretion of discount less amortisation of premium	(9,044)	2,986	(9,044)	2,986
	<u>761,804</u>	<u>601,993</u>	<u>750,516</u>	<u>596,553</u>
Other income:				
Net (loss)/gain arising on financial investment at FVTPL:				
- unrealised revaluation (loss)/gain	(30,703)	4,999	(30,703)	4,999
Net gain arising on financial investment at FVOCI :				
- net gain on disposal	35,194	8,242	35,194	8,242
Stage 1 allowance made during the year against ISF	30,741	58,562	30,741	58,562
Stage 2 allowance made during the year against ISF	-	79,158	-	79,158
Refund of government compensation	(30,741)	-	(30,741)	-
Rental income				
- Subsidiaries	-	-	363	95
- Others	797	155	797	155
Fee income	34,911	28,034	32,589	26,140
Ta'widh	(841)	1,612	(841)	1,612
Others	96	5	96	5
	<u>801,258</u>	<u>782,760</u>	<u>788,011</u>	<u>775,521</u>

This relates to Rescheduled and Restructured ("R&R") financing provided prior to 1 January 2020.

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54. Islamic Financial Business (cont'd.)

(m) Income Derived from Investment of Shareholders' Funds (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Of which:				
Finance income earned on impaired financing and advances	14,744	15,632	14,535	15,545

(n) Allowances for Impairment Losses of Financing and Advances

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Stage 1 - 12-month ECL, net	447,591	238,330	448,223	238,505
Stage 2 - Lifetime ECL not credit impaired, net	(4,571)	399,257	(3,832)	398,500
Stage 3 - Lifetime ECL credit impaired, net	156,163	31,203	149,323	23,559
Staff financing:				
Stage 1 - 12-month ECL, net	(1)	(209)	(1)	(209)
Impaired financing:				
Written off	2,419	2,459	2,309	50
Recovered	(26,239)	(15,760)	(25,725)	(15,437)
	<u>575,362</u>	<u>655,280</u>	<u>570,297</u>	<u>644,968</u>

(o) Allowance for Impairment Losses on Other Assets

	Group and Bank	
	2021	2020
	RM'000	RM'000
Financial investments at FVOCI	51,615	9,432
(Write back)/allowance made for ex-staff financing:		
Stage 1 - 12-month ECL, net	(1)	1
Stage 3 - Lifetime ECL credit impaired, net	(92)	93
	<u>51,522</u>	<u>9,526</u>

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54. Islamic Financial Business (cont'd.)

(p) Income Attributable to the Depositors

	Group and Bank	
	2021	2020
	RM'000	RM'000
Deposits from customers	135,207	130,154
Deposits and placements from financial institutions	8,965	15,808
	<u>144,172</u>	<u>145,962</u>

(q) Overhead Expenses

	Note	Group		Bank	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Personnel costs	(i)	70,688	36,887	68,340	35,412
Establishment related expenses	(ii)	14,711	4,950	14,479	4,740
Promotion and marketing expenses	(iii)	1,971	2,706	1,971	2,706
General administrative expenses	(iv)	29,938	15,020	30,107	14,799
		<u>117,308</u>	<u>59,563</u>	<u>114,897</u>	<u>57,657</u>
Overhead expenses charged to subsidiaries via SLA		-	-	(329)	(106)
		<u>117,308</u>	<u>59,563</u>	<u>114,568</u>	<u>57,551</u>

(i) Personnel costs

Salaries, allowances and bonuses	56,803	25,201	54,920	24,034
Non-executive Directors' fees and remuneration	932	838	932	838
Social security cost	390	292	368	279
Pension costs - Defined contribution plan	7,817	5,699	7,493	5,494
Other staff related expenses	4,746	4,857	4,627	4,767
	<u>70,688</u>	<u>36,887</u>	<u>68,340</u>	<u>35,412</u>

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54. Islamic Financial Business (cont'd.)

(q) Overhead Expenses (cont'd.)

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	4,537	-	4,537	-
Investment properties	8	-	8	-
Right-of-use assets	152	-	152	-
Amortisation of:				
Intangible asset	2,530	-	2,530	-
Repairs and maintenance of property, plant and equipment	1,775	1,315	1,768	1,313
Information technology expenses	5,709	3,635	5,484	3,427
	<u>14,711</u>	<u>4,950</u>	<u>14,479</u>	<u>4,740</u>
(iii) Promotion and marketing expenses				
Advertisement and publicity	<u>1,971</u>	<u>2,706</u>	<u>1,971</u>	<u>2,706</u>
(iv) General administrative expenses				
General administrative expenses	28,746	15,020	29,239	14,799
Auditors' remuneration:				
- Statutory audit				
- Current year	1,008	-	758	-
- Non-audit services				
- regulatory related services	100	-	26	-
Property, plant and equipment written off	84	-	84	-
	<u>29,938</u>	<u>15,020</u>	<u>30,107</u>	<u>14,799</u>

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54. Islamic Financial Business (cont'd.)

(q) Overhead Expenses (cont'd.)

The above overhead expenses have been determined after charging amongst other items the following:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Shariah Committee's remuneration	350	348	350	348

(r) Finance Cost

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Sukuk	328,469	284,248	328,469	284,248
Lease	17	12	17	12
	<u>328,486</u>	<u>284,260</u>	<u>328,486</u>	<u>284,260</u>

(s) Zakat

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Zakat	9,546	9,688	8,275	8,769

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% (2020: 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.

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54. Islamic Financial Business (cont'd.)

(t) Commitments and Contingencies

	Group and Bank	
	2021	2020
	RM'000	RM'000
Contingencies as at the financial year end constitute the following:		
Disbursement of financing and advances to industries	4,801,794	4,213,219
Secured guarantees on behalf of customers given to third parties	2,168,419	2,280,496
	<u>6,970,213</u>	<u>6,493,715</u>

(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	
	2021	2020
	RM'000	RM'000
Tier 1 capital		
Capital funds	3,078,724	2,722,657
Other reserves	1,762,453	922,318
Less: Deferred tax asset	(284,114)	(110,461)
Total Tier 1 capital	<u>4,557,063</u>	<u>3,534,514</u>
	Bank	
	2021	2020
	RM'000	RM'000
Tier 2 capital		
Government support funds	494,236	505,774
Stage 1 and Stage 2 expected credit loss allowances	1,872,021	1,427,631
Total Tier 2 capital	<u>2,366,257</u>	<u>1,933,405</u>
Total capital base	<u>6,923,320</u>	<u>5,467,919</u>

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54. Islamic Financial Business (cont'd.)

(u) Capital Adequacy (cont'd.)

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

	Bank	
	2021	2020
	RM'000	RM'000
20%	217,752	158,948
50%	1,321,318	1,168,734
100%	17,565,227	15,946,126
	<u>19,104,297</u>	<u>17,273,808</u>

Without deducting proposed dividend:

	Bank	
	2021	2020
	%	%
Core capital ratio	23.854	20.462
RWCR	<u>36.240</u>	<u>31.654</u>

55. Government Funds and Schemes

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.

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55. Government Funds and Schemes (cont'd.)

(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 Scheme

The objective of the industry digitalisation transformation scheme is to support business activities in adopting digital and advanced technologies.

(g) Sustainable Development Financing Scheme

The objective of the sustainable development financing scheme is to support the development of relevant United Nation 17 Sustainable Development Goals ("SDGs") in the country.

(h) Tourism Infrastructure Scheme

The objective of the tourism infrastructure scheme is to support the development of tourism sector.

(i) Maritime and Logistics Scheme

The objective of the maritime and logistics scheme is to support the development of maritime, aerospace and oil & gas industry.

(j) Public Transport Scheme

The objective of the public transport scheme is to increase the utilisation of public transport by funding the improvements and growth of public transport coverage and services.

(k) National Development Scheme

The objective of the national development scheme is to provide financing to entities which involve in activities as outlined in the 12th Malaysia Plan.

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. All these funds are internally sourced by the Bank and not from Government.

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the schemes

Group	Tourism Infrastructure Scheme RM'000	Maritime and Logistics Scheme RM'000	Public Transport Scheme RM'000	2021 Industry Digitalisation Transformation Scheme RM'000	Sustainable Development Financing Scheme RM'000	National Development Scheme RM'000	Subtotal 1 RM'000
Allocated funds	1,000,000	1,500,000	100,000	1,000,000	2,000,000	1,400,000	7,000,000
Net approved	(527,000)	(656,636)	(59,954)	(456,348)	(808,272)	-	(2,508,210)
Fund available	473,000	843,364	40,046	543,652	1,191,728	1,400,000	4,491,790
Loans, financing and advances:							
Disbursement	188,670	253,689	4,909	268,408	254,903	-	970,579
Payment/repayment	-	(64,556)	-	-	-	-	(64,556)
Outstanding	188,670	189,133	4,909	268,408	254,903	-	906,023
Number of beneficiaries	6	7	4	2	4	-	23
Expiry	Dec 23	Dec 23	Dec 23	Dec 23	Dec 23	Dec 23	

Notes: All schemes were created on 1 January 2019 except for National Development Scheme which was created on 1 September 2021 and the expiry dates for all schemes were extended to December 2023. The allocated funds for Industry Digitalisation Transformation Scheme and Public Transport Scheme were reduced to RM1.0 billion and RM0.1 billion respectively.

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the funds

Group	2021					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)	(1,135,024)	(2,983,696)	(741,272)	(326,043)	(7,035,149)
Fund available	550,886	864,976	1,510,562	2,258,728	673,957	5,859,109
Loans, financing and advances:						
Disbursement	1,847,359	1,024,364	2,983,696	745,902	325,962	6,927,283
Payment/repayment	(1,042,595)	(165,886)	(2,188,118)	(148,996)	(307,814)	(3,853,409)
Outstanding	804,764	858,478	795,578	596,906	18,148	3,073,874
Number of beneficiaries	57	15	41	7	107	227
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the fund (cont'd.)

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)	(29,754)	(606,348)	(376,000)	(1,716,230)
Fund available	575,728	1,220,144	470,246	1,393,652	1,624,000	5,283,770
Loans, financing and advances:						
Disbursement	19,296	119,260	974	225,704	134,468	499,702
Payment/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.

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the fund (cont'd.)

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
Payment/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	

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the fund and schemes

Group	Subtotal 1 RM'000	2021 Subtotal 2 RM'000	Total RM'000	Subtotal 1 RM'000	2020 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	(2,508,210)	(7,035,149)	(9,543,359)	(1,716,230)	(7,068,324)	(8,784,554)
Fund available	4,491,790	5,859,109	10,350,899	5,283,770	5,825,934	11,109,704
Loans, financing and advances:						
Disbursement	970,579	6,927,283	7,897,862	499,702	6,630,227	7,129,929
Payment/repayment	(64,556)	(3,853,409)	(3,917,965)	(15,588)	(3,276,194)	(3,291,782)
Outstanding	906,023	3,073,874	3,979,897	484,114	3,354,033	3,838,147
Number of beneficiaries	23	227	250	11	226	237

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the schemes

Bank	2021						Subtotal 1 RM'000
	Tourism Infrastructure Scheme RM'000	Maritime and Logistics Scheme RM'000	Public Transport Scheme RM'000	Industry Digitalisation Transformation Scheme RM'000	Sustainable Development Financing Scheme RM'000	National Development Scheme RM'000	
Allocated funds	1,000,000	1,500,000	100,000	1,000,000	2,000,000	1,400,000	7,000,000
Net approved	(527,000)	(656,636)	(50,000)	(456,348)	(808,272)	-	(2,498,256)
Fund available	473,000	843,364	50,000	543,652	1,191,728	1,400,000	4,501,744
Loans, financing and advances:							
Disbursement	188,670	253,689	-	268,408	254,903	-	965,670
Payment/repayment	-	(64,556)	-	-	-	-	(64,556)
Outstanding	188,670	189,133	-	268,408	254,903	-	901,114
Number of beneficiaries	6	7	-	2	4	-	19
Expiry	Dec 23	Dec 23	Dec 23	Dec 23	Dec 23	Dec 23	

Notes: All schemes were created on 1 January 2019 except for National Development Scheme which was created on 1 September 2021 and the expiry dates for all schemes were extended to December 2023. The allocated funds for Industry Digitalisation Transformation Scheme and Public Transport Scheme were reduced to RM1.0 billion and RM0.1 billion respectively.

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the fund (cont'd.)

Bank	2021					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	5,742	11,900,000
Net approved	(1,849,114)	(1,135,024)	(2,983,696)	(741,272)	-	(6,709,106)
Fund available	550,886	864,976	1,510,562	2,258,728	5,742	5,190,894
Loans, financing and advances:						
Disbursement	1,847,359	1,024,364	2,983,696	745,902	5,661	6,606,982
Payment/repayment	(1,042,595)	(165,886)	(2,188,118)	(148,996)	(5,661)	(3,551,256)
Outstanding	804,764	858,478	795,578	596,906	-	3,055,726
Number of beneficiaries	57	15	41	7	1	121
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the fund (cont'd.)

Bank	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	-	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
Payment/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.

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the fund (cont'd.)

Bank	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	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
Payment/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	

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55. Government Funds and Schemes (cont'd.)

55.1 Performance of the fund and schemes (cont'd.)

Bank	Subtotal 1 RM'000	2021 Subtotal 2 RM'000	Total RM'000	Subtotal 1 RM'000	2020 Subtotal 2 RM'000	Total RM'000
Allocated funds	7,900,000	11,900,000	19,800,000	6,500,000	11,900,000	18,400,000
Net approved	(2,498,256)	(6,709,106)	(9,207,362)	(1,686,476)	(6,748,023)	(8,434,499)
Fund available	5,401,744	5,190,894	10,592,638	4,813,524	5,151,977	9,965,501
Loans, financing and advances:						
Disbursement	965,670	6,606,982	7,572,652	498,728	6,309,926	6,808,654
Payment/repayment	(64,556)	(3,551,256)	(3,615,812)	(15,588)	(2,975,265)	(2,990,853)
Outstanding	901,114	3,055,726	3,956,840	483,140	3,334,661	3,817,801
Number of beneficiaries	19	121	140	10	120	130

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56. Significant Events

1. Acquisition of Danajamin Nasional Berhad ("Danajamin")

The Bank completed the acquisition of 100% equity interest in Danajamin from MOF Inc. and CGC on 12 November 2021 via a combination of cash and share swap comprising 372,860,939 ordinary shares at an issue price of RM2.52, a cash consideration of RM940,057,000 and a deferred consideration of RM27,302,597.

As Malaysia's first financial guarantee insurance provider, Danajamin will complement the Bank's existing business and product offerings, with the merger synergies expected to benefit Malaysian businesses, enhancing their access to capital.

The merger is expected to generate revenue and cost synergies overtime as the two institutions increasingly share resources and intergrate operations. As Phase 1 of the plan to consolidate DFIs, the Bank is determined that this merger will prove to be a benchmark for successful DFIs mergers.

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Construction	1,555,131	2,518,477	1,555,131	2,518,477
Finance, insurance/takaful and business	64,141	99,908	-	-
Hotel and restaurants	967,889	773,089	908,985	721,882
Transport, storage and communications	2,210,255	2,653,598	2,176,530	2,627,690

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56. Significant Events (cont'd.)

3. COVID-19 Customer Relief and Support Measures

Loans, advances and financing

Group	2021 RM'000	2020 RM'000
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	6,128,379	6,400,704
Matured and repaying as per revised schedules	855,640	3,993,365
Extended and repaying as per revised schedules	<u>5,272,739</u>	<u>2,407,339</u>
<i>As a percentage of total:</i>		
Matured and repaying as per revised schedules	13.96%	62.39%
Extended and repaying as per revised schedules	<u>86.04%</u>	<u>37.61%</u>

Bank

Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	6,107,625	6,361,924
Matured and repaying as per revised schedules	834,886	3,985,838
Extended and repaying as per revised schedules	<u>5,272,739</u>	<u>2,376,086</u>
<i>As a percentage of total:</i>		
Matured and repaying as per revised schedules	13.67%	62.65%
Extended and repaying as per revised schedules	<u>86.33%</u>	<u>37.35%</u>

57. Subsequent Events

Danajamin, a subsidiary of the Bank, received payment for claim recoverable amounting to RM27,302,597 on 27 January 2022. This relates to the distribution settlement amount receivable from the corporate guarantor of the obligor which Danajamin fully settled the claim on 6 March 2020. The financial impact has been accounted for in the financial statements of Danajamin and the Group for the financial year ended 31 December 2021 as disclosed in Note 11(iii) and Note 37 to the financial statements.

As a result, the purchase consideration for the acquisition of Danajamin has been adjusted by RM27,302,597 to reflect the claim recoverable received subsequent to year end, pursuant to the Share Purchase Agreements dated 28 September 2021. This amount is reflected as deferred consideration as disclosed in Note 24 and Note 51 to the financial statements.