MAYBANK ISLAMIC BERHAD

(Co. Reg. No.: 200701029411)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2020

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

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Maybank Islamic Berhad
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of Maybank Islamic Berhad ("the Bank") for the financial year ended 31 December 2020.

Principal activities

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services.

There were no significant changes in the principal activities during the financial year.

Results

	RM'000
Profit before taxation and zakat	2,003,182
Taxation and zakat	(492,134)
Profit for the year	1,511,048

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Notes 6, 7(ii), 7(iii), 8, 17, 27, 28 and 29 to the financial statements and the statement of changes in equity.

In the opinion of the Board of Directors, the results of the operations of the Bank during the current financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects of COVID-19 pandemic and related support measures as disclosed in Note 2.4(iii) and Note 3.6 to the financial statements.

Performance review

The Bank posted profit before tax and zakat of RM2,003.2 million for the financial year ended 31 December 2020, a decrease of RM1,285.8 million or 39.1% compared to the previous corresponding year.

The impairment on financing and advances recorded a net charge of RM928.9 million during the year under review compared to a net writeback of RM282.9 million in the corresponding year.

Total income reduced by RM1,018.8 million or 9.2% to RM9,997.3 million from previous corresponding year, comprising of income derived from investment of depositors' funds, income derived from investment account funds and income derived from investment of shareholder's funds of RM8,577.7 million, RM1,008.1 million and RM411.5 million respectively.

Performance review (cont'd.)

The Bank's gross financing and advances increased by RM14.7 billion to RM206.7 billion as compared to RM192.0 billion recorded in previous financial year. As at 31 December 2020, total customer funding increased by 4.0% contributed by customer deposits which grew by 2.6%, recorded at RM165.3 billion against RM161.0 billion in last financial year. Investment accounts of customers increased by RM3.1 billion to close at RM23.8 billion compared to RM20.7 billion in the last financial year.

The Bank's capital position continued to be strong and well above regulatory requirements as reflected by its Common Equity Tier I, Tier I Capital Ratio and Total Capital Ratio of 13.773%, 15.030% and 18.063% respectively.

Prospects

Malaysia's economic recovery is expected to be gradual and uneven due to the pandemic containment measures that include the re-imposition of the Conditional Movement Control Order ("CMCO") since 14 October 2020 and declaration of a state of emergency. Monetary, fiscal and economic stimulus will continue with an emphasis on targeted support and intervention for individuals and businesses. The expansionary fiscal policy via Budget 2021's record spending of RM322.5 billion includes targeted financial support and fiscal reliefs aimed at the vulnerable segments of the population and the businesses impacted by the pandemic. Moreover, the anticipated vaccine roll-out scheduled to begin on 26 February 2021 will contribute towards the safe gradual reopening of the economy.

Malaysian banks will also continue to offer targeted repayment plans to the unemployed due to COVID-19 till 30 June 2021, which were made available following the expiry of the automatic deferment of financing repayments. Moreover, Bank Negara Malaysia ("BNM") has extended the flexibility for Malaysian Banking Institutions to meet Statutory Reserve Requirements ("SRR") to ensure sufficient liquidity to support financial intermediation activity. BNM is projected to maintain Overnight Policy Rate ("OPR") at a record low of 1.75% throughout 2021 amid benign return of inflation from deflation in 2020.

Prospects (cont'd.)

The Bank continues to have a cautionary outlook on FY2021 due to potentially lower income from softer financing growth, net profit margin compression and the accounting Day-One modification loss. The Bank aims to moderate the expected lower income by focusing on its strategic cost management programme to limit the increase in overheads. The Bank will also seek to offset the impact on net profit margins by growing current and savings deposits which will carry lower cost. Concurrently, the Bank is focused on strengthening its income streams through innovative consumer centric financial products and solutions across its operations.

The Bank remains vigilant of the risks inherent during the current economic conditions within the markets it operates in and continues to put an emphasis on strong asset quality and prudent cost management, whilst maintaining the resilience of its capital and liquidity. The Bank is committed to support the domestic economies of its home markets and strives to meet customers' needs while delivering a positive impact in the communities it serves.

Dividends

The amounts of dividend paid by the Bank since 31 December 2019 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019 as reported in the directors' report of that year:	
Final tax exempt (single-tier) dividend of RM4.32 per ordinary share on 338,910,000 ordinary shares, declared on 8 May 2020 and paid on 10 June 2020	**1,464,091**

At the forthcoming Annual General Meeting, a final tax-exempt (single tier) dividend in respect of the current financial year ended 31 December 2020 of RM3.91 per ordinary share on 361,504,000 ordinary shares, amounting to a dividend payable of RM1,413,480,640 will be proposed for the shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

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Maybank Islamic Berhad
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Holding company

The immediate holding company is Malayan Banking Berhad ("Maybank"), a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Maybank Group Employees' Share Grant Plan ("ESGP") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

Maybank Group has implemented an employee's share scheme named as the Maybank Group Employees' Share Grant Plan ("ESGP") and the scheme was awarded to the participating Maybank Group employees who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the Maybank Group ESGP Committee.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the ESGP Committee may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executive, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

The maximum number of ordinary shares in Maybank available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

Issuance of share capital and debentures

The following are the changes in debt and equity securities of the Bank during the financial year ended 31 December 2020:

a) On 10 June 2020, the Bank increased its share capital from RM7,197,398,000 to RM7,929,444,000 via issuance of 22,594,000 new ordinary shares at issue price per share of RM32.40 to Maybank on the basis of one new share for every fifteen existing ordinary shares held.

b) During the financial year ended 31 December 2020, the Bank made issuances and redemptions of the term funding as disclosed in Note 19 to the financial statements. The proceeds from the issuances were utilised to fund the working capital, general banking and other Shariah compliant corporate purposes.

Directors

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

Dato' Zulkiflee Abbas bin Abdul Hamid
Encik Dali bin Sardar
Datuk Mohd Anwar bin Yahya
Associate Professor Dr Aznan bin Hasan
Encik Shariffuddin bin Khalid
Dato' Azmi bin Mohd Ali (appointed on 9 November 2020)
Encik Zainal Abidin bin Jamal (retired on 31 May 2020)

Directors' benefits

Neither at the end of the financial year, nor at any time during that financial 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, other than arising from the ESGP.

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 holding company as disclosed in Note 32 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 he is a member, or with a company in which he has a substantial financial interest.

The holding company, Maybank maintained on a group basis, a Directors' and Officers' Liability Insurance against any legal liability incurred by the directors in the discharge of their duties while holding office for Maybank or for Maybank's subsidiary companies. The directors shall not be indemnified by such insurance for any negligence, fraud, intentional breach of law or breach of trust proven against them.

Directors' interests

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 and options over shares in the holding company, Maybank or other related corporations during the financial year.

Rating by external rating agency

Details of the Bank's ratings is as follows:

Rating agency	Date	Rating classification	Rating received
RAM Ratings Services Berhad ("RAM")	22 January 2021	Financial Institution Rating	AAA/Stable/P1

Other statutory information

(a) Before the statement of financial position, income statement and statement of comprehensive income 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 the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written-off and that adequate allowance had been made for doubtful financing; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written-off for bad financing or the amount of the allowances for doubtful financing in the financial statements of the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements 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 Bank misleading or inappropriate.

Other statutory information (cont'd.)

(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 Bank which would render any amount stated in the financial statements misleading.

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

(i) any charge on the assets 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 Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Bank.

(f) In the opinion of the directors:

(i) no contingent liability 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 Bank to meet its obligations as and when they fall due; and

(ii) no item or 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 Bank for the financial year in which this report is made.

Significant and subsequent events

The significant and subsequent events are disclosed in Note 46 to the financial statements.

There are no significant adjusting events after the statement of financial position's date up to the date when the financial statements are authorised for issue.

Shariah Committee

The operations of Islamic businesses of the Bank is governed by Sections 28 and 29 of the Islamic Financial Services Act 2013 ("IFSA"), which stipulates, that any licensed institution shall at all times ensure that its aims and operations, businesses, affairs and activities are in compliance with Shariah, and, in accordance with the advice or rulings of Shariah Advisory Council ("SAC"), specific standards on Shariah matters in respect of the carrying on of its business, affair or activity. Meanwhile, BNM's Shariah Governance Policy Document (BNM/RH/PD 028-100) relates to, among other things, Shariah Committee's objectivity to reinforce sound decision-making process and robustness of internal control functions for effective management of Shariah non-compliance risks.

Based on the above, the duties and responsibilities of the Shariah Committee are to advise on the overall operations of the Bank's Islamic business in order to ensure compliance with the Shariah requirements.

The roles and responsibilities of Shariah Committee in monitoring the Bank's activities include, but not limited to the following:

(a) To provide a decision or advice to the financial institution on the application of any rulings of the SAC or standards on Shariah matters to its operations, businesses, affairs and activities;

(b) To provide a decision or advice on matters which require a reference to be made to the SAC;

(c) To provide a decision or advice on the operations, businesses, affairs and activities of the financial institution which may trigger a Shariah non-compliance event;

(d) To deliberate and affirm a Shariah non-compliance finding by any relevant functions; and

(e) To endorse a rectification measure to address a Shariah non-compliance event.

Zakat obligation

The Bank pays zakat only on its business. The Bank does not pay zakat on behalf of the shareholder or depositors.

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Auditors

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

Auditors' remuneration are disclosed in Note 31 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 February 2021.

Dato' Zulkiflee Abbas bin Abdul Hamid

Datuk Mohd Anwar bin Yahya

Kuala Lumpur, Malaysia

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Maybank Islamic Berhad
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Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Dato' Zulkiflee Abbas bin Abdul Hamid and Datuk Mohd Anwar bin Yahya, being two of the directors of Maybank Islamic Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 59 to 237 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2020 and of the results and the cash flows of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 February 2021.

Dato' Zulkiflee Abbas bin Abdul Hamid

Datuk Mohd Anwar bin Yahya

Kuala Lumpur, Malaysia

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Shaiful Adhli bin Yazid, being the officer primarily responsible for the financial management of Maybank Islamic Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 59 to 237 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Shaiful Adhli bin Yazid at Kuala Lumpur in the Federal Territory on 19 February 2021

Shaiful Adhli bin Yazid

PESURUHJAYA SUMPAH
W632
SAMUGAM VASSOO
AMN
Tempoh Lantikan
1 Jan 2021 - 13 Dis 2021
MALAYSIA

Before me,

No. 10-1 , Jalan Bangsar Utama 1,
Bangsar Utama,
59000 Kuala Lumpur.

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Corporate governance

1. The Board of Directors

Composition of the Board

As at 31 December 2020, the Board of Maybank Islamic Berhad ("Maybank Islamic" or "the Bank") comprised of six (6) directors of which five (5) were Independent Non-Executive Directors. The composition of the Board complied with the requirement under the BNM Corporate Governance Policy ("BNM CG Policy") of having a majority of independent directors at all times. The members were as follows:

Name	Position	First Appointment Date
Chairman		
Dato' Zulkiflee Abbas bin Abdul Hamid	Independent Non-Executive Director (Chairman)	Independent Non-Executive Director 25 April 2019 Chairman 1 June 2020
Members		
Encik Dali bin Sardar	Independent Non-Executive Director	11 August 2014
Datuk Mohd Anwar bin Yahya	Independent Non-Executive Director	17 July 2017
Associate Professor Dr Aznan bin Hasan	Non-Independent Non-Executive Director	25 April 2019
Encik Shariffuddin bin Khalid	Independent Non-Executive Director	13 June 2019
Dato' Azmi bin Mohd Ali	Independent Non-Executive Director	9 November 2020

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

The profile of each member of the Board is presented below:-

Dato' Zulkiflee Abbas bin Abdul Hamid
Independent Non-Executive Director (Chairman)

Nationality
Malaysian

Age
63

Appointment
25 April 2019, as Chairman on 1 June 2020

Qualification

- Diploma in Business Studies, MARA Institute of Technology
- Bachelor of Science in Marketing, Southern Illinois University
- Master in Business Administration, Southern Illinois University

Working experience

Present

- NIL

Past

- Managing Director/President of Bank Kerjasama Rakyat Malaysia Berhad
- Chief Executive Officer of Affin Holdings Berhad
- Managing Director/Chief Executive Officer of Affin Bank Berhad
- Chief Credit Officer of Malayan Banking Berhad

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dato' Zulkilfee Abbas bin Abdul Hamid (cont'd.)
Independent Non-Executive Director (Chairman)

Directorship of other companies

- Malayan Banking Berhad
- Yayasan Budiman Universiti Teknologi MARA
- Tabung Pendidikan 1 Billion

Attendance in 2020

- 12 out of 12 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Dali bin Sardar
Independent Non-Executive Director

Nationality
Malaysian

Age
61

Appointment
11 August 2014

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dali bin Sardar (cont'd.)
Independent Non-Executive Director

Qualification

- Bachelor of Arts (majoring in Economics), Knox College, Illinois, USA
- Master in Business Administration, American Graduate School of International Management, Arizona, USA

Working experience

Present

- Chief Executive Officer of DTA Capital Partners Sdn Bhd

Past

- Relationship Manager and Vice President of Citicorp/Citibank
- Managing Director of Citicorp Capital
- Chief Executive Officer of Utama Merchant Bank Berhad
- Director of Maybank Private Equity Sdn Bhd

Directorship of other companies

- Chuan Huat Resources Bhd
- Nova MSC Berhad
- AP Holding Berhad
- DTA Capital Partners Sdn Bhd
- Peranex Sdn Bhd
- YaPIEM Holdings Sdn Bhd
- NorhTec Corporation Ltd (Thailand)

Attendance in 2020

- 12 out of 12 Board meetings held in the financial year

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dali bin Sardar (cont'd.)
Independent Non-Executive Director

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Datuk Mohd Anwar bin Yahya
Independent Non-Executive Director

Nationality
Malaysian

Age
66

Appointment
17 July 2017

Qualification

- Bachelor of Science (Honours) in Economics & Accountancy, University of Hull, United Kingdom
- Chartered Accountant, Institute of Chartered Accountants in England and Wales
- Member of Malaysia Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants

Working experience

Present

- Executive Director at Sage 3 Sdn Bhd

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Datuk Mohd Anwar bin Yahya (cont'd.)
Independent Non-Executive Director

Working experience (cont'd.)

Past

- Financial and Business Advisor of PricewaterhouseCoopers
- General Manager of Permodalan Kelantan Berhad
- Finance Manager of Lembaga Kemajuan Kelantan Selatan (KESEDAR)

Directorship of other companies

- FGV Holdings Berhad
- Fraser & Neave Holdings Berhad
- Pelaburan Hartanah Nasional Berhad
- Amanah Saham Nasional Berhad
- Sage 3 Sdn Bhd
- Technology Park Malaysia Corporation Sdn Bhd

Attendance in 2020

- 11 out of 12 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Associate Professor Dr Aznan bin Hasan
Non-Independent Non-Executive Director

Nationality
Malaysian

Age
49

Appointment
25 April 2019

Qualification

- B.A. (Honours) Shariah, Al Azhar University
- Master in Shariah, Cairo University
- Doctorate in Shariah, Unversity of Wales Lampeter

Working experience

Present

- Associate Professor, Institute of Islamic Banking and Finance, Institute Islamic University Malaysia ("IIUM")

Past

- Assistant Professor of Islamic Law, Ahmad Ibrahim Kulliyyah of Laws, IIUM
- Head, Department of Islamic Law, Ahmad Ibrahim Kulliyyah of Laws, IIUM
- Head, Co-Curricular Activity Centre (CCAC), Office of the Deputy Rector (Student Affairs & Development), IIUM
- Coordinator, E-Learning Management System, Ahmad Ibrahim Kuliyyah of Laws, IIUM

Directorship of Other Companies

- Sepakat Berkat Resources Sdn Bhd
- Hana Food Industries & Trading Sdn Bhd
- YaPIEM Holdings Sdn Bhd

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Associate Professor Dr Aznan bin Hasan (cont'd.)
Non-Independent Non-Executive Director

Attendance in 2020

- 12 out of 12 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Shariffuddin bin Khalid
Independent Non-Executive Director

Nationality
Malaysian

Age
55

Appointment
13 June 2019

Qualification

- Foundation in Accountancy, University of Huddersfield, UK
- Fellow Member, Chartered Institute of Management Accountants, UK

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Shariffuddin bin Khalid (cont'd.)
Independent Non-Executive Director

Working experience

Present

- NIL

Past

- Director, Malaysia International Islamic Finance Center and Director, Strategic Communications, Bank Negara Malaysia
- Non-Executive Director, Sterling Biofuels Ltd
- General Manager, Communication & Human Resource, Pengurusan Danaharta Nasional Berhad

Directorship of Other Companies

- Malayan Banking Berhad
- Maybank (Cambodia) Plc
- Marine & General Berhad
- M&G Marine Logistics Holdings Sdn Bhd
- M&G Tankers Sdn Bhd
- Jasa Merin (Labuan) Plc
- M&G Ship Management (L) Pte Ltd
- MCB Bank Limited

Attendance in 2020

- 12 out of 12 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dato' Azmi bin Mohd Ali
Independent Non-Executive Director

Nationality
Malaysian

Age
60

Appointment
9 November 2020

Qualification

- LL.B (Hons), University Malaya
- LLM in US & Global Law, University of Suffolk, Boston, Massachusetts
- Cambridge Judge Business School Executive Education Programme on Enterprise Innovation, Judge Business School, University of Cambridge

Working experience

Present

- Senior Partner, Azmi & Associates

Past

- Partner, Department of Corporate, Commercial & Special Projects, Hisham, Sobri & Kadir
- Associate, T. Tharu & Associates
- Legal Officer & Head of Gas/New Ventures, Upstream Legal Department, Petronas

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dato' Azmi bin Mohd Ali (cont'd.)
Independent Non-Executive Director

Directorship of other companies

- SP Setia Berhad
- Sapura Energy Berhad
- Worldwide Holdings Berhad
- Institute of Corporate Directors Malaysia
- UiTM Holdings Sdn Bhd
- UiTM Private Healthcare Sdn Bhd
- Yayasan Putra Business School
- Pernec Integrated Network Systems Sdn Bhd
- AAA Consulting Sdn Bhd
- Pintarasa Sdn Bhd
- Frontier Steps Sdn Bhd
- Prudenz Corporatehouse Sdn Bhd
- Venture Supreme (M) Sdn Bhd
- Yayasan Insan dan Ilmu
- Check-6 Bakti Sdn Bhd

Attendance in 2020

- 2 out of 2 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Board Charter

The Board acknowledges the importance of developing and maintaining a framework of Corporate Governance that is robust and sound, to promote a culture of integrity and transparency throughout the Bank. In this regard, all directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern directors' conduct and their relationship with the Bank's stakeholders.

The Board Charter outlines among others, the respective roles, responsibilities and authorities of the Board (both individually and collectively) in setting the direction, management and control of the Bank.

Roles and responsibilities of the Board

The Board's duties and responsibilities include the following function:

(a) To approve and oversee the implementation of business and risk objectives and strategies as well as significant policies including the annual budget and its half yearly review;

(b) To ensure and oversee the effective design and implementation of sound governance framework, internal controls, compliance and risk management systems as well as to ensure that the Bank's overall operation is in compliance with Shariah principles;

(c) To approve and review the organisational structure and the appointment, promotion, confirmation, termination and succession plan of the senior management;

(d) To develop and document the criteria and skill sets required and to determine the general composition of the Board in order to ensure that the Board consists the requisite diversity of skills, experience, gender, qualification and other core competence required;

(e) To approve and review the remuneration policy of the Bank including to approve the remuneration of the directors, Shariah Committee, senior management and other material risk takers;

(f) To oversee the performance of the senior management and ensures that the senior management is monitoring the effectiveness of the internal control system;

(g) To appoint committees of the Board and delegates any of its powers to such committees as the Board thinks fit;

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Roles and responsibilities of the Board (cont'd.)

The Board's duties and responsibilities include the following function (cont'd.):

(h) To ensure the establishment of a reliable and transparent financial reporting process;

(i) To approve the Bank's financial statements (and ensures the reliability of the same) as well as the interim dividend and recommends the final dividend to the shareholder and the application of Dividend Reinvestment Plan thereto (where applicable);

(j) To approve policies pertaining to corporate image, brand management, community relations, investor relations and shareholder communications programs and to promote timely and effective communication with the regulators;

(k) To ensure that the Bank has a beneficial influence on the economic well-being of the communities within which it operates in the spirit of Maqasid Al-Shariah;

(l) To ensure that the Board is supported by a suitably qualified and competent company secretary;

(m) To ensure that the Board members have access to appropriate education and training programmes to keep abreast of the latest development in the industry and as may be prescribed by the regulatory authorities from time to time;

(n) To ensure that the corporate governance disclosures are accurate and clear; and

(o) To have due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of the business, affairs or activities of the Bank.

Board Committees

Delegation of certain governance responsibilities has been undertaken by the Board in favour of its Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Board Investment Committee ("BIC")

The members of the BIC as at 31 December 2020 were as follows:

Name	Position	Appointment Date
Encik Dali bin Sardar	Chairman	28 September 2016
Datuk Mohd Anwar bin Yahya	Member	24 July 2019
Dato' Zulkiflee Abbas bin Abdul Hamid	Member	24 July 2019

The specific duties of the BIC include:

(i) To review and recommend to the Board including, but not limited to the establishment of investment objectives, strategies, policies, products, business collaborations with internal and external stake holders;

(ii) To review and approve the changes in the existing Investment mandate, parameters, policies and procedures of Investment Account ("IA") including profit distribution policy and valuation policy;

(iii) To ensure the investment operations are performed in accordance with the fiduciary duties and agency duties in the agreed terms and conditions of the IA, relevant legislations and Shariah rulings and review IA performance reports on a periodic basis;

(iv) To ensure compliance to effective risk management policies, processes and infrastructure to identify, measure, monitor, control and report the various types of risk associated with the assets funded by the IA including policies and procedures to determine the significant level of IA business;

(v) To ensure the management of the IA is conducted by personnel with the appropriate competency and investment expertise; and

(vi) To review and approve the disclosures as per the requirements to ensure reliable, relevant and timely information are disseminated to the Investment Account Holders (“IAH”) to facilitate informed decision making and conduct regular review on the effectiveness of these policies to protect the interest of the IAH.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Other Board Committees

Under the leverage model, the Board delegated certain of its governance responsibilities to the following Board Committees of Maybank:

1. Audit Committee[1]
2. Credit Review Committee[2]
3. Nomination and Remuneration Committee[2]
4. Risk Management Committee[2]
5. Compliance Committee of the Board[2]
6. Employee Share Grant Plan Committee

Notes:

[1] The Chairman and another member of the Audit Committee were Board members of Maybank Islamic Berhad.

[2] A member of these Board Committees was also a Board member of Maybank Islamic Berhad.

Tenure or directorship

Consistent with the Maybank Group's Policy on Directors' Independence and recommendations of the Malaysian Code on Corporate Governance 2017 ("the Code"), the Board via the Nomination and Remuneration Committee ("NRC") assesses the independence of Independent Non-Executive Directors upon his/her appointment, re-appointment and in any event, annually. In line with the Code, the tenure of service for Independent Non-Executive Directors has been capped at the maximum period of nine years whereby upon completion of such tenure, the Independent Non-Executive Director may, subject to the NRC's recommendation and the Board's approval, continue to serve on the Board subject to re-designation as a Non-Independent Non-Executive Director.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Board meetings

During the financial year ended 31 December 2020, a total of 12 meetings were convened inclusive 4 special meetings for urgent issues and/or important decisions required to be addressed between the scheduled meetings.

All directors have exceeded the 75% meeting attendance requirement under BNM CG Policy. Details of attendance of each Director for the meetings of the Board and Board Investment Committee during the financial year ended 31 December 2020 are highlighted in the table below.

Name of Directors	Board Number of Meetings			BIC Number of Meetings		
	Held	Attended	%	Held	Attended	%
Dato' Zulkiflee Abbas bin Abdul Hamid	12	12	100	4	4	100
Encik Dali bin Sardar	12	12	100	4	4	100
Datuk Mohd Anwar bin Yahya	11	12	92	4	4	100
Assoc. Prof. Dr Aznan bin Hasan	12	12	100			
Encik Shariffuddin bin Khalid	12	12	100			
Dato' Azmi bin Mohd Ali	2	2	100			
Encik Zainal Abidin bin Jamal[1]	6	6	100			

Notes:

[1] Retired on 31 May 2020.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' remuneration

The Board believes that one area that the Board needs to focus on in order to remain effective in the discharge of its duties and responsibilities is the setting of a fair and comprehensive remuneration package to commensurate with the expertise, skills, responsibilities and the risks of being a director of a financial institution. In line with good corporate governance, Maybank Group has set out its intention to periodically review the Non-Executive Directors ("NED"s) remuneration for Maybank and its group of companies at least once every three years. A summary of the total remuneration of the Directors (shown in nearest thousand), in aggregate with categorisation into appropriate components for the financial year ended 31 December 2020 is as disclosed in Note 32 to the financial statements.

Directors' training

The Board acknowledges the importance of continuing education for its directors to ensure they are equipped with the necessary skills and knowledge to perform their functions and meet the challenges as the Board. During the year, all the Board members have attended various training programmes and workshops on relevant issues, including key training programme for directors of financial institutions, namely the Financial Institutions Directors' Education ("FIDE").

The Board continues to assess the training needs of its directors and identify key areas of focus for training programmes.

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2020 were as follows:

<u>Maybank Group internal training</u>

- 5th Shariah Discourse - Management & Leardership Guidance from the Seerah of Prophet Muhammad
- Briefing on Section 17A (Corporate Liability) - Malaysian Anti-Corruption Commission ("MACC") 2009 (Amendment)
- Annual Board Risk Workshop 2020
- The Guru Series on "Driving the Analytics Revolution. How Did Amazon.com Do It"
- Zone to Win Workshop
- Board Induction Programme
- Digitalization & Key Trends within Financial Services
- Refresher Course on Product Development and Solution, Global Markets Islamic

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' training (cont'd.)

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2020 were as follows (cont'd.):

External training

(i) FIDE

- Digital Banking: Why Does it Matter?
- Managing Virtual Banking & Insurance Businesses
- Managing Political Risks
- Staying Ahead with Data Analytics
- BNM-FIDE Form Annual Dialogue with Governor of BNM
- Climate Action: The Board's Leadership in Greening the Financial Sector
- Green Fintech: Ping An's journey to becoming a top ESG-performing Financial Institution

(ii) Other external seminars/conferences/talks

- CAE Summit Virtual Event 2020 Assurance in Real Time
- Internal Audit Leadership Forum
- Anti-Bribery and Anti-Corruption Management System
- Directors' Continuing Education Programme 2020:
  - Module 1: Digitally powered F&B player - Why? What? & How?
  - Module 2: Geopolitical Risk Landscape
- Islamic Finance for Board
- ISA 240: Auditor's Responsibilities Relating to Fraud In An Audit of Financial Statements
- COVID-19 & Current Economic Reality: Implications for Financial Stability
- SRI Conference - The Strategic Value of Sustainability
- CFO & Tax Manager Specialist Series: Post-MCO Debt & Business Restructuring Key Legal, Employment and Tax Considerations
- YTI Memorial Lecture 2020 - How Safe are the Safe Haven Assets in Malaysia? Lessons from COVID-19 Pandemic
- The Quiet Transformation of Corporate Governance by Erik Vermeulen
- Setia Governance Risk & Audit Forum 2020
- Discussion on the Impact of COVID-19 on Islamic Financial Institutions and Shariah Responses - Discussion among Shariah Advisory Councils of Central Banks

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' training (cont'd.)

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2020 were as follows (cont'd.):

External training (cont'd.)

(ii) Other external seminars/conferences/talks (cont'd.)

- EPF Digital Transformation Programme
- VBIAF Secotra Guide Town Hall
- Muzakarah Cendikiawan Syariah Nusantara
- 11th SC-OCIS Roundtable: Repurposing Islamic Finance For Longer Term Opportunities
- International Shariah Scholars Forum
- Shariah Investing Dialogue
- IIFM Market Consultation on Impact of IBOR
- 8th Conference of Islamic Finance (AICIF)
- Shariah Audit Conference
- Holistic Leadership Lecture: The Role Model of Prophet Muhammad
- AAOIFI-IsDB Annual Conference: Adaptability of Islamic Finance Post COVID-19: Navigation through Unprecedented times

Corporate governance (cont'd.)

2. Internal control framework

Introduction

In pursuant to the requirement under the BNM Corporate Governance policy document, the internal control framework is presented herewith outlining the key features of rules governing Maybank Islamic's organisational and operational structure, including reporting processes and control functions.

Under the leverage model, Islamic business operations are residing in Maybank Group. Hence, Maybank Islamic Berhad ("the Bank" or "MIB") is similarly adopting Maybank Group's risk management and internal control system with customisation where required to address the Bank's internal control environment.

Governance and oversight

The Board of Directors

The Board is responsible to establish a sound risk management and internal control system as well as review its adequacy and effectiveness in identifying, assessing and responding to risks that could keep the Bank from achieving its objectives. One of the vital roles of the Board is to establish the risk appetite which articulates the levels and types of risk that the Bank is willing to accept in the pursuit of its business and strategic objectives. In this respect, the Board actively participates in setting the strategic goals and plans of the Bank and ensures that the corresponding risks are adequately mitigated within its approved risk appetite.

To carry out its risk and control oversight responsibilities effectively, the Board is assisted by the Maybank Group Board level Committees, namely, Risk Management Committee ("RMC"), Compliance Committee of the Board ("CCB") and Audit Committee of the Board ("ACB") to oversee matters relating to risk, compliance and controls respectively.

Shariah Committee

The Board has appointed an independent Shariah Committee ("SC") to provide decision, views and opinions related to Shariah matters, as well as perform oversight role on Shariah matters related to the business operations and activities to ensure compliance with Shariah. Among its main duties and responsibilities are to provide relevant advice to the Board and the management in addition to assessing the work carried out by Shariah Review and Compliance and Shariah Audit.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Governance and oversight (cont'd.)

Management Committee

The Management Committee of the Bank is established to assist and support the Board to oversee the core areas of business operations and implement the Board's policies and procedures on risks and controls. MIB is also leveraging on the various Maybank Group Executive Level Management Committees ("ELCs") to oversee risks, compliance and controls, namely, the Group Executive Committee, Group Executive Risk Committee, Group Asset and Liability Management Committee, Group Management Credit Committee, Group Non-Financial Risk Committee and Internal Audit Committee.

Lines of defence

MIB's governance model provides a transparent and effective governance structure that promotes active involvement from the Board and senior management to ensure a uniform view of risk. The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the lines of defence, which include the following:

Line of Defence	Key Responsibilities
1st Line	• Owns and manages day-to-day risks inherent in its business and/or activities, including that of risk taking. • Ensure the business operates within the established risk strategies, tolerance, appetite, frameworks, policies and procedures.
2nd Line	• Establish frameworks, policies and procedures. • Provide overall risk governance and oversight and challenge the 1st line. • Support sustainable and quality asset growth with optimal returns. • Ensure compliance to the applicable laws, regulations, established policies and procedures.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Governance and oversight (cont'd.)

Lines of defence (cont'd.)

MIB's governance model provides a transparent and effective governance structure that promotes active involvement from the Board and senior management to ensure a uniform view of risk. The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the lines of defence, which include the following (cont'd.):

Line of Defence	Key Responsibilities
3rd Line	• Provide assurance via independent assessment, review and validation. • Risk management framework, policies and tools are sufficiently robust and consistent with regulatory standards. • Controls to mitigate risks are adequate. • Adequate oversight by the 2nd line over the 1st line.

Key elements of internal control system

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal control include:

Risk management framework

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired level of rewards. As risk management is a core discipline of the Bank, it is underpinned by a set of key principles which serve as the foundation in driving strong risk management culture, practices and processes:

1.	Risk Culture	Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management.
2.	Risk Coverage	The Bank must determine its business strategy; its goals and objectives, and assesses the risks implied in that strategy before it can articulate its risk appetite.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Risk management framework (cont'd.)

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired level of rewards. As risk management is a core discipline of the Bank, it is underpinned by a set of key principles which serve as the foundation in driving strong risk management culture, practices and processes (cont'd.):

3.	Risk Appetite	The risk appetite defines the levels of risk that the Bank is willing to assume within its risk capacity.
4.	Risk Response	Selection of the appropriate risk response is imperative to align the risks with Bank's risk tolerance and risk appetite.
5.	Governance and Risk Oversight	There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.
6.	Risk Management Practices and Processes	Robust risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Bank.
7.	Stress Test	Stress testing is used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on the Bank's exposure.
8.	Resources and System Infrastructure	Ensure sufficient resources, infrastructure and techniques are established to enable effective risk management.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Risk appetite

Risk appetite is an integral component of the risk management framework and is driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite enables the Board and senior management to communicate, understand and assess the types and levels of risk that the Bank is willing to accept in pursuit of its business and strategic goals while taking into consideration the constraints under a stressed environment.

The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to the changing internal and external drivers such as market conditions, stakeholders' expectations and internal capabilities. In addition, the budgeting process is aligned to the risk appetite in ensuring that projected revenues arising from business transactions are consistent with the risk profiles established. The risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions.

Guided by these principles, our risk appetite is articulated through a set of Risk Appetite Statements for all material risks to ultimately balance the strategic objectives of the Bank.

Risk Governance and Oversight

The governance model adopted by the Bank provides a formalised, transparent and effective governance structure that promotes the active involvement of the Board and senior management in the risk management process to ensure a uniform view of risks.

Our governance model places accountability and ownership in ensuring an appropriate level of independence and segregation of duties between the three lines of defence. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of committees, business lines, control and reporting functions.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Risk and Compliance Culture

The risk and compliance culture is driven by a strong tone from the top and strengthened by the tone from the middle which serves as the foundation upon which robust enterprise wide risk management structure and governance are built. This is to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all levels of business and activity across the Bank.

Risk and compliance policies are clearly defined, consistently communicated and continuously reinforced throughout the Bank to embed a robust culture that cultivates active identification, assessment and mitigation of risks. As part of the risk and compliance culture, the Bank has instilled a culture where the Board, Senior Management and employees are committed to adhere to the requirements of relevant laws, rules and regulations. This commitment is clearly demonstrated through the establishment and strengthening of policies, processes and controls in managing and preventing non-compliances.

Risk and compliance culture programmes are emplaced amongst others, value capsules, induction programmes, engagement sessions, e-Learnings and roadshows. An integrated assurance platform is also emplaced to provide a single, collective view of risk controls, compliance and governance. This ensures that risk considerations are embraced by all employees in enhancing customer experience, building trust and brand value of the Bank for long-term sustainability of the organisation.

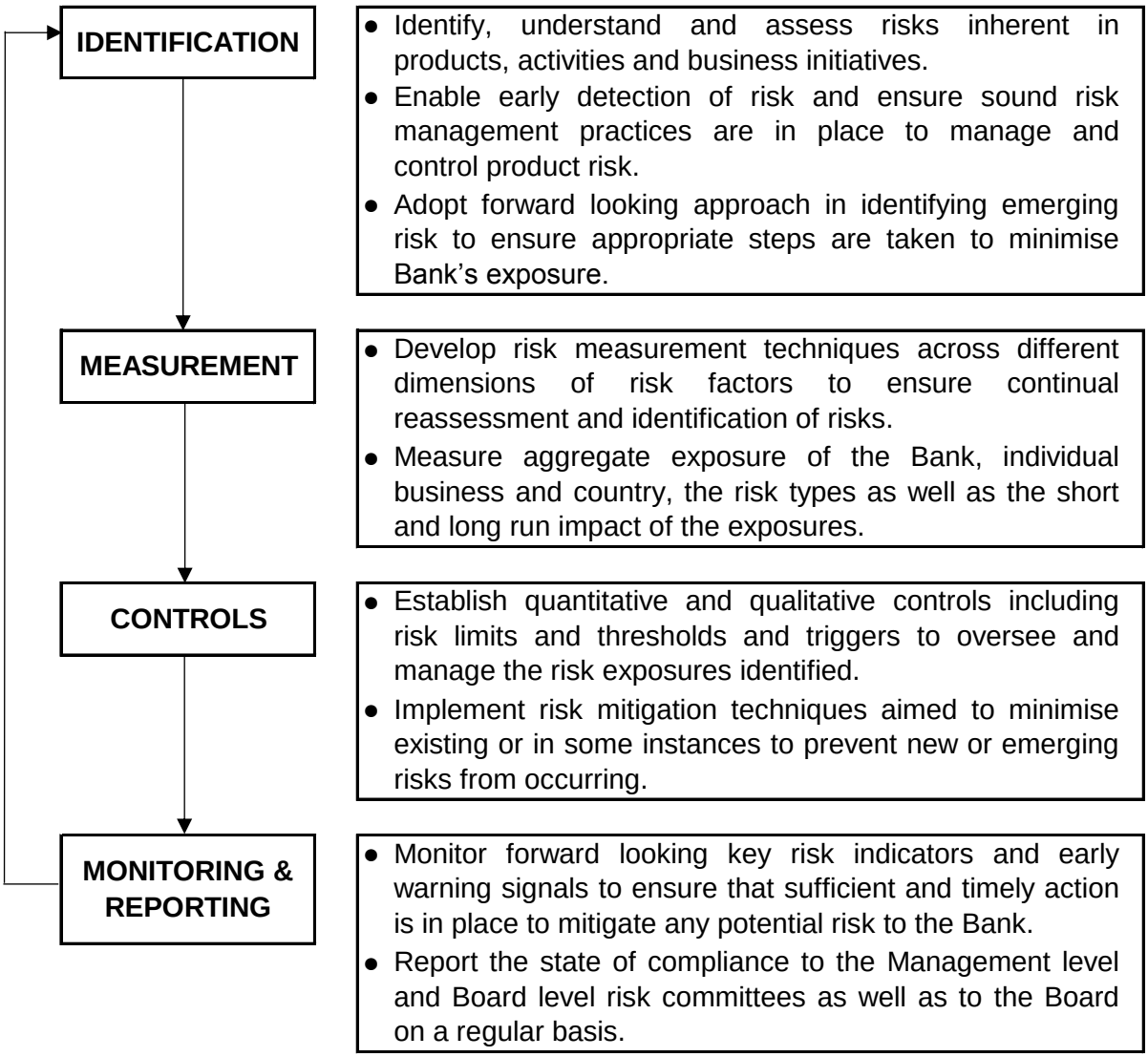
Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Risk management practices and processes

The risk management practices and processes enable systematic identification, measurement, control, monitoring and reporting of risk exposures across the Bank.



Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Compliance framework

The Framework provides the key principles and guidelines for managing Compliance Risk. It serves as a guide for Compliance function alongside Board of Directors, senior management and all employees in understanding, complying and managing compliance risk. It is adopted and implemented across by operating entities across the Group.

The Framework outlines:

- The overarching principles for the management of compliance risk;
- The overall strategy in managing compliance risk to ensure uniformity in practices across the Group in meeting regulatory and legal obligations;
- The minimum expected standards for compliance risk management; and
- The roles and responsibilities of compliance risk management across the Group.

Shariah Governance Framework

Maybank Group Shariah Governance Framework sets out expectations for the effective Shariah governance structures, processes and arrangements of all businesses that execute Islamic business transactions. The Framework was established in accordance with BNM latest Shariah Governance policy document. This is to ensure that all of its operations and business activities are in accordance with the Shariah principles as well as to provide comprehensive guidance to the Board, Shariah Committee and Management in discharging their duties in matters relating to Shariah.

The Shariah Governance Framework reflects the responsibility of the Board, Management, Shariah Committee and Shariah control functions, namely, Shariah Risk, Shariah Review and Shariah Audit to ensure effective management of Shariah Non-Compliance risks. The end-to-end Shariah-compliant governance mechanism is executed through three lines of defence that cater for both pre-execution and post-execution. The three lines of defence are as follows:

- 1st - Business and support units, Shariah management (advisory and research) and Shariah secretariat
- 2nd - Shariah Risk and Shariah Review; and
- 3rd - Shariah Audit

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Stress Test

The stress testing programme is embedded within risk and capital management process and is also a key function of the business planning process. It serves as a forward looking tool to facilitate the understanding of risk profiles under extreme but plausible events that may be contributed by various factors such as economic, political and environmental as well as to ascertain the impact to the Bank and how this can be proactively managed.

The current initiative of an integrated stress testing application enhances stress testing capabilities with on-demand generation of risk profiles under various scenarios.

Responsible Lending

Our long term financial success depends upon our ability to not only identify and address environmental, social and governance ("ESG") issues that present risks to our business but more importantly, to identify areas of opportunities for our businesses as well as our customers to grow sustainably. With this, and premised on the principles of responsible lending which are embedded in the Maybank Group Environmental, Social and Governance Policy, we continuously review and enhance our ESG practices by working with our stakeholders to drive efforts on responsible lending. As part of enhancing our ESG practices, the Bank takes a proactive approach to incorporate ESG considerations (including social aspects of lending) into business processes in a meaningful way by establishing the ESG Industry Scrum Team in 2019. The ESG Industry Scrum Team will continue to support the Bank's proactive engagements with relevant industry stakeholders to promote understanding of the ESG impacts and opportunities stemming from our lending activities.

Cyber and technology risk management policy and guideline

The Cyber Risk Management Framework has been established based on the standards issued by National Institute of Standards and Technology ("NIST") which emphasise on identifying risks, building resilience, detecting cyber threats and responding effectively to cyber related events. The Framework encompasses the cyber risk management strategy, governance structure and risk management enablers. It complements the Technology Risk Management Framework and covers both Business and Technology drivers from an end-to-end perspective, focusing on the key layers of People, Process and Technology.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Cyber and technology risk management policy and guideline (cont'd.)

Technology Risk Management Framework sets out the standards for identifying the risks and required controls in an organisation's technology-related functionalities and for taking the appropriate risk remedial actions. This is established to standardise the technology operations environment, which will help to increase high service levels to customers as well as the business units.

Internal Control System

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include:

- **Organisation Structure**

  The Board has established an organisation structure with clearly defined lines of responsibility, authority limits and accountabilities, aligned with business and operations requirements to support the maintenance of a strong control environment.

- **Annual Business Plan and Budget**

  The Board deliberates and approves the annual business plan and budget for the year. The performance achievements are reviewed monthly against the targeted results, allowing time for the appropriate responses and required remedial actions to be taken. The Board regularly reviews reports from the Management on key operational statistics, as well as legal and regulatory matters.

- **Oversight by Audit Committee of the Board**

  The ACB assists the Board in the execution of its governance and oversight responsibilities, as well as to ensure that there is a reliable and transparent financial reporting process within the Group. The responsibilities include assessment of the adequacy and effectiveness of the Bank's governance, risk management and internal control system through the Internal Audit ("IA") function. The ACB has active oversight of the independence, scope of work and resources of the IA. The ACB meets periodically to review audit and investigation reports prepared by IA, taking into consideration the corresponding IAC's deliberation of the same report. Significant control lapses are escalated by the ACB to the Board for further deliberation, where necessary. As for the unresolved audit findings, the ACB deliberates on them and ensure that the Management undertakes the necessary remedial actions within the committed timeline.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Oversight by Risk Management Committee**

  The Board has delegated the risk oversight responsibility to the Risk Management Committee ("RMC"). The committee is responsible for formulating policies and frameworks to identify, measure, monitor, manage and control the material risk components impacting the businesses. The effectiveness of the risk management system is monitored and evaluated by the Risk Management function at the Entity and Group level on an on-going basis.

- **Oversight by Compliance Committee of the Board**

  The Board is assisted by the CCB in the oversight of compliance risk. The overall objective of the CCB is to ensure that compliance risk management is given the needed attention at the highest level to ensure regulatory compliance risk is effectively managed to support business growth in line with the Bank's aspirations and risk appetite. The role of the CCB, amongst others, is to review and assess the adequacy of infrastructure, resources and systems to manage compliance risk across the Bank and recommend improvement to ensure effectiveness of the compliance framework.

  Further information on the roles and responsibilities of the CCB can be found in Section B of the Corporate Governance Report ("CG Report") which is available on Maybank's corporate website at www.maybank.com.

- **Other Board Committees**

  There are other Board level Committees that assist the Board in executing its overall governance responsibilities and oversight function. They are the Board Investment Committee, as well as Maybank Group Board level Committees i.e. Credit Review Committee, Nomination and Remuneration Committee and Employee Share Grant Plan Committee.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Executive Level Management Committees**

  There are various Executive Level Management Committees ("ELC"s) assisting and supporting the various Board Committees in overseeing the core areas of business operations and controls. These ELCs include the Group Executive Committee, Group Client Onboarding and Review Committee, Group Management Credit Committee, Group Executive Risk Committee, Group Asset and Liability Management Committee, Group Non-Financial Risk Committee, Group Procurement and Property Committee, Group IT Steering Committee, Group Transformation Steering Committee, Group Internal Audit Committee and Group Staff Committee.

- **Management of Information Assets**

  Confidentiality, integrity and availability of information are critical to the day-to-day operations and to facilitate management decision-making. The Group Information Risk Management Guidelines outline the guiding principles for an effective management of information assets. Guided by information handling rules in alignment to the information life cycle, all information must be properly managed, controlled and protected.

  With the increased adoption of technology capabilities and the increasing risk of cyber threats, Information security has been among the key focus areas. Technology controls are applied at various stages of the information cycle. Amongst the controls is Data Loss Protection to protect and prevent the potential of data loss or theft.

  Technology infrastructure and security controls continue to be strengthened and monitored as the Bank embraces mobile work arrangements following COVID-19 pandemic outbreak. Clear desk policy is reinforced in the primary, alternative or mobile work arrangement site(s) to protect confidential and proprietary information.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Sustainability Management**

  Premised on the mission of Humanising Financial Services, a set of core ambitions are in placed to underpin our responsibility in promoting and driving sustainable growth. These ambitions include having sustainability as an integral part of our strategy and culture, whilst partnering with our clients to facilitate the transition towards more sustainable and responsible development. In an effort to integrate these ambitions into business practices, the Group Sustainability Council has been established, with the aims of setting the Group's sustainability strategy, defining boundaries and approving proposals as well as monitoring and advising on sustainability-linked action plans and issues.

- **Regular Updates and Communication of Risk Management Principles, Policies, Procedures and Practices**

  Risk management principles, policies, procedures and practices are reviewed and updated regularly to ensure relevance to the current business environment as well as compliance with current/applicable laws and regulations. MIB has a dedicated risk management function to facilitate establishment and review of these documents and ensure their implementation within the Bank.

- **Standard Practice Instruction**

  Policies and procedures are in place to ensure compliance with internal controls and the prescribed laws and regulations. These policies and procedures are set out in the Group's Standard Practice Instructions ("SPI"s) and are updated from time to time in accordance with changes to the business environment or regulatory guidelines. These SPIs are published on the communication portal, which is made available to all employees.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Maybank Group People Policies**

  The Maybank Group People Policies ("MGPP") serves as a baseline with clarity on the philosophy and principles for people management and development in the Group. It incorporates key principles and philosophies that support the Group's mission of Humanising Financial Services. The MGPP consists of a set of policies and guidelines that govern all aspects of human resource management, from talent acquisition and development, performance and consequence management and code of conduct to cessation of employment. A Disciplinary Policy is also established to provide a structure where disciplinary matters are dealt with fairly, consistently and in line with the prevailing labour laws and employment regulations.

  Due to the COVID-19 pandemic and as a requirement by Business Continuity Management ("BCM") in anticipation of future pandemics, Maybank has introduced a Mobile Work Arrangement Policy. The policy reflects the overall mobile working arrangement that will enable the organisation to balance its objectives of achieving a highly productive and harmonious work environment that is responsive to the changing professional and personal needs of today's workforce, while taking into account business and organisational needs to ensure business continuity and sustainability. The policy enables employees to work from home, on-site and at split locations. It is a bilateral agreement between Maybank and the employees which offers mutually-beneficial outcomes for both parties. Various controls and engagements are put in place to actively manage and ensure employees under the Mobile Work Arrangement continue to be supported. Being a disciplined and tracked arrangement, employees are assigned an agreed Management Model which includes agreed expectations and outcomes, minimum weekly scheduled physical/virtual check-ins and performance updates reflected in the myHR2u Conversation Log.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Core Values and Code of Ethics and Conduct**

  MIB observes the Islamic code and values. The Shariah is the overarching principle steering the Bank at all times in all its businesses and operations. In addition, the Maybank Group's core values, T.I.G.E.R. (Teamwork, Integrity, Growth, Excellence and Efficiency, Relationship Building) are the essential guiding principles to drive behavioural ethics while fulfilling our collective responsibility to serve our mission of Humanising Financial Services. It is further complemented by the Code of Ethics and Conduct that sets out sound principles and standards of good practice observed by all.

- **Fraud Management**

  The Bank instils a culture of vigilance amongst employees in handling and combating fraud as well as to deter future occurrences. Robust and comprehensive tools/ infrastructure and programmes are emplaced to ensure risks resulting from fraud are identified, escalated/reported and managed in a decisive and timely manner. Stern disciplinary action is taken against employees involved in fraud.

- **Reputational Risk Management**

  The Bank adopts a holistic approach and sound governance in managing reputational risk and to institutionalise awareness and its consequences. Protecting our reputation is paramount to operating as an institution providing financial services. Upholding trust and creating better customer experience and security are vital parts of our obligations as a financial institution. Hence, policy is in placed with roles and responsibilities of key stakeholders and processes, such as monitoring of social media sentiment, to facilitate an effective reputational risk management and monitoring of risk exposures to be within the risk appetite.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Whistleblowing Policy**

  The Bank is committed to the highest standard of ethics and integrity in its conduct of business and operations. Maybank Group Whistleblowing Policy and Procedures encapsulates the governance and standards to promote an ethical, responsible and secure whistleblowing practice in the Bank in line with the requirements of BNM's Corporate Governance Policy. The Policy and Procedures provides a proper and secured avenue for the employees and members of the public to report any knowledge of improper conduct in good faith, without fearing any adverse consequences.

  The access to whistleblowing information is governed with strictest confidentiality under the oversight of an Independent Non-Executive Director of the Board.

- **Anti-Bribery and Corruption Policy**

  The Bank adopts a zero tolerance approach against all forms of bribery and corruption in carrying out its daily operations. Maybank Group complies with the Malaysian Anti-Corruption Commission Act 2009, as well as other laws and regulations in the countries where we operate. The Maybank Group Anti-Bribery & Corruption Policy and Procedures sets out the guiding principles for the Bank to address and manage bribery and corruption risks in all its dealings within and outside the Bank.

- **Financial Crime Compliance**

  The Bank is committed to fight financial crimes and ensure compliance with the relevant laws and regulations. Financial crime risks are managed to protect the integrity and reputation of the Bank. The Bank has established comprehensive controls to anticipate, prevent, detect and respond to money laundering terrorist financing and sanctions risks.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Key elements of internal control system (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Independent Assurance by Internal Audit**

  The IA function of MIB is undertaken by Maybank Group Audit. The IA function provides independent assurance on the adequacy and effectiveness of governance, risk management and internal control. The IA function is independent of the activities and operations of other operating units within the Group. It is headed by the Group Chief Audit Executive ("GCAE"), who reports functionally to the ACB and administratively to the Group President & Chief Executive Officer ("GPCEO"). The IA processes and activities are guided by the Audit Charter and governed by the relevant regulatory guidelines, Group's Code of Ethics and mandatory guidance established under the International Professional Practices Framework ("IPPF") by The Institute of Internal Auditor's ("The IIA").

Corporate governance (cont'd.)

3. Remuneration

Rewards and remuneration

Our remuneration and rewards philosophy is aligned with our business strategies and values, and serves to foster a performance-oriented culture that delivers long-term sustainable returns for our stakeholders. We have in place a comprehensive Total Rewards system which forms a holistic and strategic component of our integrated Talent Management framework, guiding us to effect “Reward Right” principles to drive positive outcomes and deliver exponential business results responsibly. The system not only supports Maybank Islamic’s strategy and business plan, it is also critical to improving employee productivity and engagement. By focusing on the right compensation, benefits and development support, it inspires our employees to achieve their personal and professional aspirations.

Governed by sound principles, our remuneration policies and practices are reviewed periodically to ensure alignment with regulatory requirements and to reinforce a high-performance culture. The aim is to attract, motivate and retain talents through market competitiveness and responsible values.

Components of remuneration

Maybank Islamic adopts a holistic Total Rewards Framework comprising three main elements, namely Total Compensation, Benefits & Well-Being, and Development & Career Opportunities.

i) Total compensation:

Total Compensation is based on two components, Fixed Pay and Variable Pay (i.e. Variable Bonus and Long-term Incentive Award), with targeted Pay Mix levels designed to align with the long-term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to the performance of the Group, business/corporate function and individual.

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration (cont'd.)

i) Total compensation (cont'd.):

Fixed Pay	Variable Pay	
	Variable Bonus	**Long Term Incentive Award**
● Attract and retain talent by providing competitive and equitable level of pay. ● Reviewed annually through internal and external benchmarking against relevant peers /locations, aligned with market dynamics, differences in individual responsibilities, performance, achievements, skillsets, as well as competency level.	● Reinforce a pay-for-performance culture and adherence to the Maybank Group's Core Values, T.I.G.E.R. ● Variable cash award design that is aligned with the long-term performance goals of the Group through our deferral and claw-back policies. ● Based on the overall performance of the Group, business/corporate function and individual. ● Performance is measured using Balanced Scorecard.	● Offered to eligible talents and senior management who have a direct line of sight in driving, leading and executing Maybank Islamic's business strategies and objectives.

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration (cont'd.)

i) Total compensation (cont'd.):

Fixed Pay	Variable Pay	
	Variable Bonus	**Long Term Incentive Award**
	Deferral Policy: ● Any Variable Bonus in excess of certain thresholds will be deferred over a period of time. A Deferred Variable Bonus will lapse immediately upon termination of employment (including resignation) except in the event of ill health, disability, redundancy, retirement or death. **Clawback Provision:** ● Maybank Islamic Board has the right to make adjustments or clawbacks to any Variable Bonus or Long-Term Incentive Award if deemed appropriate based on risk management issues, financial misstatement, fraud, gross negligence or wilful misconduct. This provision was further strengthened in 2020 to ensure the highest level of rewards governance.	

ii) Benefits & Well-being

Maybank Islamic Berhad believes in promoting employees' well-being through the provision of financial protection, health care benefits, paid time-off, staff financing at preferential rates and programmes that support work-life integration. The benefits programmes, which blend all elements including cost optimisation and employee/job needs, are reviewed regularly in order to remain competitive in an increasingly dynamic business landscape. In light of the COVID-19 pandemic, working remotely has become a new normal. This is supported by a strong infrastructure built on innovative platforms, together with the right policies and system to enable employees to perform their best. Our mobile workforce have also been provided with financial assistance where needed.

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration (cont'd.)

iii) Development and career opportunities

We continued to deploy best-in-class learning and development programmes to nurture our employees at all levels. Our strong learning culture is grounded in a multitude of flexible and customisable learning and development programmes for employees' long-term relevance, competitive advantage and growth. Employees are also encouraged to assume personal ownership of their development by upgrading their skills and taking on stretch assignments as well as expanded responsibilities.

Long-term incentive award

Employees' Shares Grant Plan

In December 2018, Maybank rolled out the Employees' Share Grant Plan ("ESGP") under the Long-Term Incentive Award to replace a previous scheme that expired in June 2018. The ESGP is valid for seven years and it serves as a long-term incentive for eligible talents and senior management.

Vesting eligibility of the ESGP is subject to fulfilment of the ESGP vesting conditions as well as upon meeting the performance criteria at the Maybank Group and individual levels. The first ESGP Award that was granted in December 2018 will vest in 2021, the second ESGP Award granted in September 2019 will vest in 2022, and the third ESGP Award which was granted in September 2020 will vest in 2023.

Governance and controls – remuneration practice

Our remuneration policies and practices comply with all statutory and regulatory requirements, and are strengthened by sound risk management and controls, ensuring remuneration practices are carried out responsibly.

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Governance and controls – remuneration practice (cont'd.)

The Bank has strong internal governance on the performance and remuneration of control functions which are measured and assessed independently from the business units to avoid any conflict of interests. The remuneration of employees in control functions are predominantly fixed to reflect the nature of their responsibilities. Annual reviews of their compensation are benchmarked internally and against the market to ensure they are competitive.

Based on sound Performance Management principles, our Key Performance Indicators ("KPI"s) continue to focus on outcomes and are aligned with our business plans. Each of the Senior Officers and Other Material Risk Takers ("OMRT") carry Risk, Governance and Compliance goals in their individual scorecards which are cascaded accordingly. The right KPI setting continues to shape our organisational culture while driving risk and compliance agendas effectively. Inputs from control functions and Board Committees are incorporated into the respective functional area and individual performance results.

Senior Officers and Other Material Risk Takers

The remuneration of Senior Officers and OMRTs are reviewed annually and submitted to the Nomination and Remuneration Committee for recommendation to the Board for approval.

The remuneration of Maybank Islamic's Senior Officers and OMRTs in financial year ended 31 December 2020 is summarised in the table below:

Total value of remuneration awards for the financial year	Senior Officers^	
	Unrestricted RM	Deferred RM
Fixed remuneration		
- Cash-based	6,711,478	-
Variable remuneration		
- Cash-based	2,615,428	-
- Shares and share-linked instruments*	-	-

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Senior Officers and Other Material Risk Takers ("OMRT") (cont'd.)

The remuneration of Maybank Islamic's Senior Officers and OMRTs in financial year ended 31 December 2020 is summarised in the table below (cont'd.):

Total value of remuneration awards for the financial year	OMRT	
	Unrestricted RM	Deferred RM
Fixed remuneration		
- Cash-based	373,500	-
Variable remuneration		
- Cash-based	742,080	264,000
- Shares and share-linked instruments*	-	-

Definition Senior Officers of the Identified Entities & Senior Officers of BNM regulated Companies refers to Chief Executive Officer ("CEO"), Direct Report to the CEOs, Chief Financial Officer; Chief Risk Officer, Chief Compliance Officer; Chief Audit Executive and Company Secretary.

OMRTs are defined as employees who can materially commit or control significant amounts of a financial institution's resources or whose actions are likely to have a significant impact on its risk profile or those among the most highly remunerated officers.

Notes:

* On 30 September 2020 a total of 236,000 and 19,000 units of Maybank shares under Maybank Group Employees Share Grant Plan ("ESGP")/Cash-settled Employees Share Grant Plan ("CESGP") were awarded to 11 Senior Officers and 1 OMRT respectively. The number of ESGP/CESGP units to be vested/paid in September 2023 is conditional subject to eligible employees fulfilling the vesting/payment criteria.

^ The FY2020 compensation outcome for Senior Officers does not include the CEO as it is disclosed in the Corporate Governance Overview Statement.

Shariah Committee's report

In the name of Allah, the Most Compassionate, the Most Merciful

All praise is due to Allah, the Cherisher of the Worlds, and peace and blessings be upon the Prophet of Allah, on his family and all his companions.

'Assalamualaikum warahmatullahi wabarakatuh'

To the shareholder, depositors and customers of Maybank Islamic Berhad ("the Bank"):

We, the members of the Shariah Committee of the Bank ("the Committee"), do hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank from 1 January 2020 until 31 December 2020. During the year, the Committee had convened 30 times and all members have satisfied the minimum attendance requirement required as per paragraph 11.4 of the BNM's Shariah Governance Policy Document which requires a Committee member to attend personally at least 75% of the Committee meetings held in each financial year.

We have provided the Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank has carried out Shariah audit performed by the Internal Audit Division and Shariah review by the Shariah Review and Compliance department throughout the organisation and the reports were deliberated in the Committee meetings. The Bank has organised a region-wide Shariah training program to enhance Shariah compliance awareness throughout the organisation.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We are of the opinion that:

(a) The new products, business initiatives and enhanced processes introduced by the Bank during the year ended 31 December 2020, that we have reviewed are in compliance with the Shariah rules and principles;

(b) Subject to paragraph (e) below, the contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2020, that we have reviewed are in compliance with the Shariah rules and principles;

Shariah Committee's report (cont'd.)

(c) The main funding sources and investments of the Bank disclosed to us conform to the basis that had been approved by us in accordance with the Shariah rules and principles;

(d) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

(e) The Shariah non-compliant events and disposal of any earnings from prohibited sources/means by the Bank during the year ended 31 December 2020 had been channeled to the donation/charity fund as disclosed in Note 44;

(f) The financial statements of the Bank for the year ended 31 December 2020 together with the calculation of zakat disclosed to us are in compliance with the Shariah rules and principles;

(g) Nothing has come to our attention that causes the Bank to believe that the operations, business, affairs and activities of the Bank involve any material Shariah non-compliances; and

(h) To the best of our knowledge and belief that the information provided is true and accurate.

We beg Allah SWT to grant us wisdom, strength and humility to perform our tasks in the best possible way and Allah knows best.

Assoc. Prof. Dr. Aznan bin Hasan
Chairman of the Committee

Dr. Azrul Azlan bin Iskandar Mirza
Member of the Committee

Kuala Lumpur, Malaysia
19 February 2021

Building a better working world

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Co. Reg. No.: 200701029411

Independent auditors' report to the member of Maybank Islamic Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank Islamic Berhad ("the Bank"), which comprise the statement of financial position as at 31 December 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 237.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent 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 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 corporate governance, but does not include the financial statements of the Bank and our auditors' report thereon.

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

Co. Reg. No.: 200701029411

Independent auditors' report to the member of Maybank Islamic Berhad (cont'd.) (Incorporated in Malaysia)

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

In connection with our audit of the financial statements 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 Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial statements

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

In preparing the financial statements of the Bank, the directors are responsible for assessing 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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the 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.

Co. Reg. No.: 200701029411

Independent auditors' report to the member of Maybank Islamic 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements 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 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 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 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 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 Bank to cease to continue as a going concern.

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

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.

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Co. Reg. No.: 200701029411

Independent auditors' report to the member of
Maybank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
19 February 2021

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2020

	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)*	1.1.2019 RM'000 (Restated)*
Assets				
Cash and short-term funds	5	**9,890,517**	21,703,239	21,922,103
Deposits and placements with banks and other financial institutions		**-**	-	251,328
Financial assets purchased under resale agreements	6	**3,625,611**	-	-
Financial investments at fair value through profit or loss	7(i)	**-**	383,194	995,072
Financial investments at fair value through other comprehensive income	7(ii)	**18,453,139**	15,292,520	12,447,389
Financial investments at amortised cost	7(iii)	**16,381,007**	9,671,676	6,454,985
Financing and advances	8	**203,666,875**	189,762,974	174,268,203
Derivative assets	9	**385,303**	200,414	403,993
Other assets	10	**2,804,924**	3,741,672	4,032,596
Statutory deposit with Bank Negara Malaysia	11	**12,591**	4,242,037	4,205,000
Property, plant and equipment	12	**979**	1,458	-
Right-of-use assets	13	**9,901**	12,966	-
Deferred tax assets	18	**-**	-	24,077
Total assets		**255,230,847**	245,012,150	225,004,746
Liabilities				
Customers' funding:				
- Deposits from customers	14	**165,268,246**	161,039,140	147,781,749
- Investment accounts of customers [1]	15	**23,840,796**	20,737,670	23,565,061
Deposits and placements of banks and other financial institutions	16	**38,770,852**	38,827,556	32,174,135
Bills and acceptances payable		**38,086**	137,893	11,050
Financial liabilities at fair value through profit or loss		**-**	-	385,687
Derivative liabilities	9	**656,302**	221,674	391,949
Other liabilities	17	**339,080**	170,965	2,129,694
Provision for zakat		**14,373**	30,304	23,450
Term funding	19	**10,895,058**	9,891,993	4,738,180
Subordinated sukuk	20	**2,028,303**	2,028,311	2,534,301
Capital securities	21	**1,002,441**	1,002,170	1,002,441
Deferred tax liabilities	18	**449,812**	83,002	-
Total liabilities		**243,303,349**	234,170,678	214,737,697

[1] Investment accounts of customers are used to fund financing and advances as disclosed in Note 8.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of financial position as at 31 December 2020 (cont'd.)

	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)*	1.1.2019 RM'000 (Restated)*
Equity attributable to equity holder of the Bank				
Share capital	22	**7,929,444**	7,197,398	7,197,398
Retained profits	23	**2,756,457**	2,457,477	2,760,303
Other reserves	23	**1,241,597**	1,186,597	309,348
		11,927,498	10,841,472	10,267,049
Total liabilities and shareholder's equity		**255,230,847**	245,012,150	225,004,746
Commitments and contingencies	38	**76,524,814**	63,976,328	59,033,318

* Details of the restatement of comparatives as disclosed in Note 45.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

Income statement
For the year ended 31 December 2020

	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)*
Income derived from investment of depositors' funds	24	**8,577,690**	9,538,085
Income derived from investment of investment account funds	25	**1,008,062**	1,051,729
Income derived from investment of shareholder's funds	26	**411,548**	426,290
(Allowances for)/writeback of impairment losses on financing and advances, net	27	**(928,878)**	282,866
Allowances for impairment losses on financial investments, net	28	**(253,252)**	(3,954)
Allowances for impairment losses on other financial assets, net	29	**(1,452)**	-
Total distributable income		**8,813,718**	11,295,016
Profit distributed to depositors	30	**(4,361,490)**	(5,568,769)
Profit distributed to investment account holders		**(370,986)**	(566,816)
Total net income		**4,081,242**	5,159,431
Overhead expenses	31	**(1,595,737)**	(1,453,793)
Finance cost	33	**(482,323)**	(416,622)
Profit before taxation and zakat		**2,003,182**	3,289,016
Taxation	34	**(478,886)**	(747,646)
Zakat		**(13,248)**	(30,351)
Profit for the year		**1,511,048**	2,511,019
Earnings per share attributable to equity holder of the Bank - basic/diluted (sen)	35	**429.8**	740.9

* Details of the restatement of comparatives as disclosed in Note 45.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 December 2020

	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)*
Profit for the year		**1,511,048**	2,511,019
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net gain on foreign exchange translation		**321**	82
Net gain on financial investments at fair value through other comprehensive income		**306,702**	344,186
- Net gain from change in fair value		**399,934**	454,140
- Changes in expected credit losses		**2,752**	(960)
- Income tax effect	18	**(95,984)**	(108,994)
Other comprehensive income for the financial year, net of tax		**307,023**	344,268
Total comprehensive income for the year, net of tax		**1,818,071**	2,855,287
Total comprehensive income attributable to:			
Equity holder of the Bank		**1,818,071**	2,855,287

* Details of the restatement of comparatives as disclosed in Note 45.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2020

		<---------- Non-distributable				---------->	Distributable
	Share capital (Note 22) RM'000	Equity contribution from the holding company (Note 23) RM'000	Fair value through other comprehensive income reserve (Note 23) RM'000	Regulatory reserve (Note 23) RM'000	Exchange fluctuation reserve (Note 23) RM'000	Retained profits (Note 23) RM'000	Total equity RM'000
At 1 January 2020							
- as previously stated	7,197,398	1,697	338,321	846,497	82	2,676,002	11,059,997
- restatement of comparatives (Note 45)	-	-	-	-	-	(218,525)	(218,525)
At 1 January 2020, as restated	7,197,398	1,697	338,321	846,497	82	2,457,477	10,841,472
Profit for the year	-	-	-	-	-	1,511,048	1,511,048
Other comprehensive income	-	-	306,702	-	321	-	307,023
Total comprehensive income for the year	-	-	306,702	-	321	1,511,048	1,818,071
Transfer from regulatory reserve	-	-	-	(252,023)	-	252,023	-
Issue of ordinary shares (Note 22)	732,046	-	-	-	-	-	732,046
Dividend on ordinary shares (Note 36)	-	-	-	-	-	(1,464,091)	(1,464,091)
Total transactions with shareholder/ other equity movements	732,046	-	-	(252,023)	-	(1,212,068)	(732,045)
At 31 December 2020	7,929,444	1,697	645,023	594,474	403	2,756,457	11,927,498

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of changes in equity (cont'd.)
For the year ended 31 December 2020 (cont'd.)

		<---------- Non-distributable ---------->					Distributable
	Share capital (Note 22) RM'000	Equity contribution from the holding company (Note 23) RM'000	Fair value through other comprehensive income reserve (Note 23) RM'000	Regulatory reserve (Note 23) RM'000	Exchange fluctuation reserve (Note 23) RM'000	Retained profits (Note 23) RM'000	Total equity RM'000
At 1 January 2019							
- as previously stated	7,197,398	1,697	(5,865)	313,516	-	2,970,618	10,477,364
- restatement of comparatives (Note 45)	-	-	-	-	-	(210,315)	(210,315)
At 1 January 2019, as restated	7,197,398	1,697	(5,865)	313,516	-	2,760,303	10,267,049
Profit for the year	-	-	-	-	-	2,511,019	2,511,019
Other comprehensive income	-	-	344,186	-	82	-	344,268
Total comprehensive income for the year	-	-	344,186	-	82	2,511,019	2,855,287
Transfer to regulatory reserve	-	-	-	532,981	-	(532,981)	-
Dividend on ordinary shares (Note 36)	-	-	-	-	-	(2,280,864)	(2,280,864)
Total transactions with shareholder/ other equity movements	-	-	-	532,981	-	(2,813,845)	(2,280,864)
At 31 December 2019	7,197,398	1,697	338,321	846,497	82	2,457,477	10,841,472

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2020

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)
Cash flows from operating activities		
Profit before taxation and zakat	**2,003,182**	3,289,016
Adjustments for:		
Amortisation of premiums/(accretion of discounts), net	**31,983**	(24,622)
Allowances for/(writeback of) impairment losses on financing and advances	**1,019,200**	(186,705)
Allowances for impairment losses on financial investments	**253,252**	3,954
Allowances for impairment losses on other financial assets	**1,452**	-
Modification loss on contractual cash flows arising from financial assets	**240,920**	-
Depreciation of property, plant and equipment	**505**	164
Depreciation of right-of-use assets	**3,129**	2,145
Finance cost on lease liabilities	**398**	240
Unrealised losses/(gains) on revaluation of derivatives	**15,203**	(603)
Unrealised losses/(gains) on revaluation of financial investments at fair value through profit or loss	**674**	(909)
Unrealised gains on revaluation of financial liabilities at fair value through profit or loss	**-**	(701)
Gains on disposal of financial investments at fair value through other comprehensive income	**(101,270)**	(74,112)
Gains on disposal of financial investments at fair value through profit or loss	**(8,829)**	(7,523)
Gains on foreign exchange translations	**(97,821)**	(69,016)
ESGP expenses	**2,066**	1,239
Finance cost	**482,323**	416,622
Operating profit before working capital changes	**3,846,367**	3,349,189
Change in deposits and placements with banks and other financial institutions	**-**	251,328
Change in cash and short-term funds with original maturity of more than three months	**-**	50,452
Change in financial assets purchased under resale agreements	**(3,627,063)**	-
Change in financial investments portfolio	**(9,268,095)**	(4,894,493)
Change in financing and advances	**(15,155,806)**	(15,307,126)
Change in derivative assets and liabilities	**234,536**	33,908
Change in other assets	**937,068**	285,197
Change in statutory deposit with Bank Negara Malaysia	**4,229,446**	(37,037)
Change in deposits from customers	**4,229,106**	13,257,391
Brought forward	**(14,574,441)**	(3,011,191)

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of cash flows (cont'd.)
For the year ended 31 December 2020

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)
Carried forward	**(14,574,441)**	(3,011,191)
Change in deposits and placements of banks and other financial institutions	**41,028**	6,722,421
Change in investment accounts of customers	**3,103,126**	(2,827,391)
Change in financial liabilities at fair value through profit or loss	**-**	(384,986)
Change in bills and acceptances payable	**(99,807)**	126,843
Change in other liabilities	**168,381**	(1,964,407)
Cash used in operating activities	**(11,361,713)**	(1,338,711)
Taxes and zakat paid	**(237,239)**	(775,651)
Net cash used in operating activities	**(11,598,952)**	(2,114,362)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3)**	(1,620)
Net cash used in investing activities	**(3)**	(1,620)
Cash flows from financing activities		
Proceeds from issuance of shares	**732,046**	-
Dividend paid on ordinary shares	**(1,464,091)**	(2,280,864)
Dividend paid for capital securities	**(49,364)**	(49,771)
Dividend paid for subordinated sukuk	**(91,759)**	(104,250)
Redemption of subordinated sukuk	**-**	(500,000)
Drawdown of term funding	**1,115,919**	5,250,000
Dividend paid for term funding	**(453,790)**	(365,048)
Repayment of lease liabilities	**(2,728)**	(2,497)
Net cash (used in)/generated from financing activities	**(213,767)**	1,947,570
Net decrease in cash and cash equivalents	**(11,812,722)**	(168,412)
Cash and cash equivalents at beginning of year	**21,703,239**	21,871,651
Cash and cash equivalents at end of year	**9,890,517**	21,703,239
Cash and cash equivalents comprise:		
Cash and short term funds (Note 5)	**9,890,517**	21,703,239

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

The Bank is a public limited liability company, incorporated on 5 September 2007 and domiciled in Malaysia. The registered office of the Bank is located at 15th Floor, Tower A Dataran Maybank, 1, Jalan Maarof, 59000 Kuala Lumpur.

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services. There were no significant changes in these activities during the financial year.

The holding company of the Bank is Malayan Banking Berhad ("Maybank"), a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 February 2021.

2. Accounting policies

2.1 Basis of preparation and presentation of the financial statements

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

The financial statements of the Bank has been prepared under the historical cost basis unless otherwise indicated in the summary of significant accounting policies disclosed in Note 2.2.

The Bank presents the statement of financial position in the order of liquidity.

Financial assets and financial liabilities are offset and the net amounts are reported in the statement of financial position of the Bank only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement of the Bank unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies

(i) Financial assets

(a) Date of recognition

All financial assets are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

(b) Initial recognition and subsequent measurement

i) Business model

The Bank determine its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Bank does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and

- The expected frequency, value and timing of sales are also important aspects of the Bank’s assessment.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

i) Business model (cont'd.)

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

ii) The solely payments of principal and profit ("SPPP") test

Upon determination of business model, the Bank will assess the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. In making the SPPP assessment, the Bank applies judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit or loss.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

Included in financial assets are the following:

- Amortised cost, as explained in Note 2.2(i)(b)(1);
- Fair value through other comprehensive income ("FVOCI"), as explained in Note 2.2(i)(b)(2); and
- Fair value through profit or loss ("FVTPL"), as explained in Note 2.2(i)(b)(3)

(1) Financial assets at amortised cost

The Bank classifies financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Included in financial assets at amortised cost are cash and short-term funds, deposits and placements with financial institutions, financial assets purchased under resale agreements, financial investments and financing and advances as disclosed in the respective notes to the financial statements.

(2) Fair value through other comprehensive income ("FVOCI")

The Bank classifies financial assets at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial assets meet the SPPP test.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(2) Fair value through other comprehensive income ("FVOCI") (cont'd.)

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Finance income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank hold more than one investment in the same security, they are deemed to be disposed-off on a first-in, first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial asset FVOCI are financial investments and financing and advances to customers.

(3) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are those that are held-for-trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. Management designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(3) Financial assets at fair value through profit or loss ("FVTPL") (cont'd.)

Included in financial assets at FVTPL are financial investments and derivatives.

Subsequent to initial recognition, financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the income statement under the caption of 'other operating income'.

(c) Derecognition

A financial asset is derecognised when there is substantial modification of terms and conditions or factors other than substantial modification.

(1) Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a financing to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognised financing are classified as Stage 1 for Expected Credit Losses (“ECL”) measurement purposes, unless the new financing is deemed to be purchased or originated credit-impaired ("POCI").

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective profit rate ("EPR"), the Bank record a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(c) Derecognition (cont'd.)

(2) Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) The rights to receive cash flows from the financial asset have expired; or

(ii) The transfer of financial asset is as set out below and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assume a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount financed plus accrued profit at market rates;

- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and

- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including profit earned, during the period between the collection date and the date of required remittance to the eventual recipients.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(c) Derecognition (cont'd.)

(2) Derecognition other than for substantial modification (cont'd.)

A transfer only qualifies for derecognition if either the Bank has:

- Transferred substantially all the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and have retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(d) Impairment of financial assets

The MFRS 9 impairment requirements are based on an ECL model. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable financing commitments and financial guarantee contracts, which include financing and advances and debt instruments held by the Bank. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

The measurement of expected credit loss involves increased complexity and judgement that include:

(i) Determining a significant increase in credit risk since initial recognition

The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The Bank applies a three-stage approach based on the change in credit quality since initial recognition:

3-Stage approach	**Stage 1**	**Stage 2**	**Stage 3**
	Performing	**Under-performing**	**Non-performing**
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(ii) ECL Measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and an exposure at default model ("EAD"). The model is to leverage as much as possible on the Bank's existing Basel II models and performed the required adjustments to produce MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Bank has decided to continue to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets as per Maybank Group's policy.

(iii) Expected life

Lifetime ECL must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments such as credit cards and cashline. The expected life for these revolving facilities generally refers to its behavioural life.

(iv) Debt instruments at FVOCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(v) Forward-looking information

ECL are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward-looking information is based on the Maybank Group's and the Bank's research arm, Maybank Kim Eng ("MKE"). In addition, the MKE research's assumptions and analysis are also based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product ("GDP") growth;
- Unemployment rates;
- House Price indices; and
- Bank Negara Malaysia ("BNM") policy rates

The Bank applies the following three alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail; and

Upside and Downside scenarios: These scenarios are set relative to the base scenario, reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement from current economic conditions.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(vi) Valuation of collateral held as security for financial assets

The Bank's valuation policy for collateral assigned to its financial assets are dependent on its financing arrangements.

(e) Modification of financing

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to customers. When this happens, the Bank assess whether or not the new terms are substantially different to the original terms. The Bank do this by considering, among others, the following factors:

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer is expected to be able to pay;

- Whether any substantial new terms are introduced, such as a profit share or equity-based return that substantially affects the risk profile of the financing;

- Significant extension of the financing term when the customer is not in financial difficulty;

- Significant change in the profit rate;

- Change in the currency the financing in denominated in; and

- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(e) Modification of financing (cont'd.)

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculate a new effective profit rate ("EPR") for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the income statements as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the income statements. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EPR (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets).

(f) Reclassification of financial assets

Reclassification of financial assets is permissible when and only when there is change in business model for managing financial assets.

The Bank does not consider the following changes in circumstances as reclassifications:

- an item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;

- an item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and

- changes in measurement where the Bank adopt fair value option.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(ii) Financial liabilities

(a) Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provision of the instruments. This includes regular way trades: purchases or sales of financial liabilities that require settlement of liabilities within the time frame generally established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(1) Financial liabilities at FVTPL

Financial liabilities designated at fair value

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(ii) Financial liabilities (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(1) Financial liabilities at FVTPL (cont'd.)

<u>Financial liabilities designated at fair value</u> (cont'd.)

The changes in fair value are presented as follows:

(i) change in fair value due to own credit risk - presented in other comprehensive income which will not get recycled into profit or loss.

(ii) change in fair value due to market risk or other factors - presented in income statement.

(2) Other financial liabilities

The Bank's other financial liabilities include deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, debt securities (including term funding), payables, bills and acceptances payable and other liabilities.

(1) <u>Deposits from customers, investment accounts of customers and deposits and placements of banks and other financial institutions</u>

Deposits from customers, investment accounts of customers and deposits and placements of banks and other financial institutions are stated at placement values. Profit expense of deposits from customers, investment accounts of customers and deposits and placements from banks and other financial institutions measured at amortised cost is recognised using the effective yield method.

(2) <u>Debt securities</u>

Debt securities issued by the Bank are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Bank's debt securities issued consist of subordinated sukuk, capital securities and term funding.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(ii) Financial liabilities (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(2) Other financial liabilities (cont'd.)

(2) *Debt securities* (cont'd.)

These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Bank is contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the term fundings on an effective yield method.

(3) *Payables*

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective yield method.

(4) *Bills and acceptances payable*

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are measured at amortised cost using the effective yield method.

(5) *Other liabilities*

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(ii) Financial liabilities (cont'd.)

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in the income statement.

(iii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position of the Bank if there is a current legal enforceable right to offset the recognised amount and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The financial assets and financial liabilities of the Bank that are subject to offsetting, enforceable master netting arrangements and similar agreements are disclosed in Note 41.

(iv) Derivative financial instruments and hedge accounting

(a) Derivative financial instruments

The Bank trades derivatives such as profit rate swaps, foreign exchange swap, forward foreign exchange contracts and options on profit rates and foreign currencies.

Derivative financial instruments are initially recognised at fair value. For non-option derivatives, their fair value are normally zero or negligible at inception. For purchased or written options, their fair value are equivalent to the market premium paid or received. The derivatives are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(iv) Derivative instruments and hedge accounting (cont'd.)

(b) Hedge accounting

The Bank uses derivative instruments to manage exposures to profit rate, foreign currency and credit risks. In order to manage these particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on ongoing basis.

(v) Embedded derivatives

Embedded derivatives in financial assets are not separated from a host financial asset and classify based on the business model and their contractual terms as outlined in Note 2.2(i).

Derivatives embedded in financial liabilities and in non-financial host contracts are treated as separate derivatives and recorded at fair value if their economic characteristic and risk are not closely related at those of the host contract is not itself held for trading or designated at FVTPL. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(vi) Resale and repurchase agreements

Securities purchased under resale agreements are securities which the Bank purchase with a commitment to resell at future dates. The commitments to resell the securities are reflected as assets on the statement of financial position. The difference between the purchase and resale prices is recognised in the income statement under the caption of ‘finance income’ and is accrued over the life of the agreement using the effective yield method.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(vii) Property, plant and equipment and depreciation

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 Bank and the cost of the item can be measured reliably.

Subsequent to initial recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Bank recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statements as incurred.

Depreciation of other property, plant and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Office furniture, fittings, equipment and renovations	10% - 25%
Computers and peripherals	14% - 25%
Motor vehicles	20% - 25%

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, 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 income statement.

Details of property, plant and equipment of the Bank are disclosed in Note 12.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(viii) Other assets

Included in other assets are other debtors, prepayments and deposits and tax recoverable.

Other assets are carried at anticipated realisable values. An estimate is made for doubtful debts based on a review of all outstanding balances as at the reporting date. Bad debts are written-off when identified.

(ix) Cash and short-term funds

Cash and short-term funds in the statement of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash and short-term funds.

(x) Impairment of non-financial assets

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 Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("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 to be impaired and is written down to its recoverable amount.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(x) Impairment of non-financial assets (cont'd.)

The Bank bases its VIU calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGU to which the individual assets are allocated. 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For other non-financial assets, an assessment is made at each reporting date as to whether any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

(xi) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) 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.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xi) Provisions (cont'd.)

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increase in the provision due to the passage of time is recognised in the income statement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and recognised in income statement.

(xii) Foreign currencies

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of 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 functional currency spot rate of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statement.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot 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 spot exchange rates at the date when the fair value was determined.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xii) Foreign currencies (cont'd.)

(b) Foreign currency transactions and balances (cont'd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(xiii) Income and deferred taxes

(a) Income tax

Current tax assets/recoverable and current tax liabilities/provisions are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Income taxes for the year comprises current and deferred taxes.

Income tax expense relating to items recognised directly in equity, is recognised in other comprehensive income or in equity and not in the income statements.

Details of income taxes for the Bank are disclosed in Note 34.

(b) Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- when 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 the transaction, affects neither the accounting profit nor taxable profit or loss.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xiii) Income and deferred taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xiii) Income and deferred taxes (cont'd.)

(b) Deferred tax (cont'd.)

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.

Details of deferred tax assets and liabilities are disclosed in Note 18.

(xiv) Zakat

This represents business zakat payable by the Bank to comply with the principle of Shariah. Zakat provision is calculated based on 'Shareholders' Equity with Adjustment' method, at 2.5%. The beneficiaries of the zakat fund are determined by the Zakat Committee and subject to the approval of the Shariah Committee.

(xv) Leases

(a) Classification

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Bank combine lease and non-lease components, in cases where splitting the non-lease component is not possible.

(b) Recognition and initial measurement

(1) Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Bank recognises lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xv) Leases (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(1) Bank as a lessee (cont'd.)

Right-of-use ("ROU") assets

The Bank recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Bank is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2(x).

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payment includes fixed payments (less any lease incentive receivables), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payment also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xv) Leases (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(1) Bank as a lessee (cont'd.)

Lease liabilities (cont'd.)

In calculating the present value of lease payment, the Bank uses incremental funding rate at the commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of profit and reduced for the lease payment 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 fixed lease payment or a change in the assessment of an option to purchase the underlying asset.

(2) Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Bank also apply the lease of low-value assets recognition exemption to leases of assets that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense when incurred.

(xvi) Fair value measurement

The Bank measures financial instruments such as financial investments at FVTPL, financial liabilities designated at FVTPL, financial investments FVOCI and derivatives at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xvi) Fair value measurement (cont'd.)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between fair value hierarchy levels by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 40(c).

While the fair value hierarchies of financial instruments that are not measured at fair value, for which the fair value is disclosed are presented in Note 40(g).

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xvii) Income recognition

For all financial instruments measured at amortised cost and profit-bearing financial investments at FVTPL, financial investments at FVOCI, profit income for all profit-bearing financial instruments are recognised within finance income in the income statement using the effective yield method.

The effective yield method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the finance income over the relevant period. The effective yield rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective yield/profit rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument, which are an integral part of the effective profit rate, but does not consider future credit losses.

Profit on impaired financial assets is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

Profit income and expense from the business are recognised on an accrual basis in accordance with the principles of Shariah.

(xviii) Other operating income

Commitment and guarantee fees are recognised as income based on time apportionment basis.

Handling fees paid to motor vehicle dealers for Islamic hire purchase financing are amortised in the income statement over the tenure of the financing in accordance with BNM's Circular on "Accounting Treatment of Handling Fees for Hire Purchase Financing" dated 16 October 2006 and is set off against income recognised on the Islamic hire purchase financing.

(xix) Financing and related expense recognition

Finance cost and income attributable to deposits, investment accounts and term funding of the Bank are amortised using the effective yield method.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xx) Employee benefits

(a) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statement in the year in which the associated services are rendered by employees of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised as an expense in the income statement when the absences occur.

(b) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the income statement when incurred.

(c) Share-based compensation

(1) Employees' Share Grant Plan ("ESGP Shares")

The ESGP Shares is awarded to the eligible Executive Directors and employees of the participating Maybank Group excluding dormant subsidiaries. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or cash at the absolute discretion of the ESGP Committee.

The total fair value of ESGP Shares granted to eligible employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the ESGP Shares will vest. The fair value of ESGP Shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP Shares were granted.

Upon vesting of ESGP Shares, the Bank will recognise the impact of the actual numbers of ESGP Shares vested as compared to original estimates.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xx) Employee benefits (cont'd.)

(c) Share-based compensation (cont'd.)

(2) Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The CESGP is awarded to the eligible executive directors and employees of the participating Maybank Group, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries. Upon vesting, the cash amount equivalent to the value of the Maybank Reference Shares will be transferred to the eligible employees.

The total fair value of CESGP granted to eligible employees is recognised as an employee cost with a corresponding increase in the liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of CESGP is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP were granted.

Upon vesting of CESGP, the Bank will recognise the impact of the actual numbers of CESGP vested as compared to original estimates.

(xxi) Share capital and dividends declared

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Transaction costs directly attributable to the issuance of new equity shares are taken to equity as a deduction against the issuance proceeds.

Dividends declared on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

(xxii) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. The Bank does not recognise contingent assets but discloses its existence when inflows of economic benefits are probable, but not virtually certain.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xxii) Contingent assets and contingent liabilities (cont'd.)

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. The Bank does not recognised contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

(xxiii) Earnings per share ("EPS")

The Bank presents basic and diluted (where applicable) EPS for profit or loss from continuing operations attributable to the ordinary equity holder of the Bank on the face of the income statement.

Basic and diluted EPS are calculated by dividing the net profit attributable to equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial year.

(xxiv) Restricted Profit Sharing Investment Accounts (“RPSIA”)

RPSIA placements are used to fund specific financing assets and are based on the principle of Mudharabah whereby profits will be shared between the Bank as Mudharib and the investors as Rabbul Mal whereas losses shall be borne solely by the investors. These placements and financing assets are recorded in the Bank's financial statement as its liabilities and assets in accordance with MFRS 9. Any impairment allowances required on the financing are not recognised in the profit or loss of the Bank but charged to and borne by the investors.

All assets financed by the RPSIA are excluded from the computation of ECL and capital ratio as disclosed in Notes 8 and 43 respectively.

(xxv) Financial assistance scheme

Financing under a government scheme is recognised and measured in accordance with MFRS 9 *Financial Instruments*, with the benefit at a below market and concession rate is measured as the difference between the initial carrying amount or fair value of the financing and the amount received. Government financing facility is measured in accordance with the amount received.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xxv) Financial assistance scheme (cont'd.)

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance* .

2.3 Changes in accounting policies and disclosures

On 1 January 2020, the Bank adopted the following amendments to MFRS and annual improvements to MFRSs:

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

Revised Conceptual Framework for Financial Reporting

The International Accounting Standards Board ("IASB") issued an update to the Conceptual Framework in April 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management’s stewardship;

- Reintroduces the concept of prudence;

- Defines the concept of measurement uncertainty;

2. Accounting policies (cont'd.)

2.3 Changes in accounting policies and disclosures (cont'd.)

Revised Conceptual Framework for Financial Reporting (cont'd.)

The IASB issued an update to the Conceptual Framework in April 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows (cont'd.):

- Reinstates an explicit reference to the need to “faithfully represent the substance of the phenomena that it purports to represent”; and

- Made changes to the definitions of an asset and a liability.

The revised conceptual framework is effective for annual periods beginning on or after 1 January 2020. The Bank has assessed the implication for adopting the Revised Conceptual Framework for Financial Reporting. The adoption of the framework does not have significant impact on the Bank's financial statements.

Amendment to MFRS 16 *Leases - COVID-19 Related Rent Concessions*

The amendments provide lessees with an option to treat qualifying COVID-19 related rent concession not as a lease modification. Lessees may account the concession as a variable lease payment in the period it is granted.

The amendments are effective for annual reporting period beginning on or after 1 June 2020. Earlier application is permitted and must be disclosed. These amendments do not have any impact on the Bank's financial statements.

Amendments to MFRS 101 and MFRS 108 *Definition of Material*

Amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments also explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information.

The amendments must be applied prospectively. Early application is permitted and must be disclosed. These amendments do not have any impact on the Bank's financial statements.

2. Accounting policies (cont'd.)

2.3 Changes in accounting policies and disclosures (cont'd.)

Amendments to MFRS 7, MFRS 9 and MFRS 139 *Profit Rate Benchmark Reform (Phase 1)*

The amendments applies to all hedging relationships directly affected by profit rate benchmark reform. The amendments clarify that a hedging relationship is directly affected by profit rate benchmark reform only if the reform give rise to uncertainties on:

- the profit rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or

- the timing or the amount of profit rate benchmark-based cash flows of the hedged item or of the hedging instruments.

Profit rate benchmark reform refers to the market-wide reform of a profit rate benchmark, including the replacement of a profit rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report "Reforming Major Profit Rate Benchmarks".

The Bank shall disclose:

- the significant profit rate benchmarks to which the Bank's hedging relationship are exposed;

- the extent of the risk exposure the Bank manage that are directly affected by the profit rate benchmark reform;

- how the Bank are managing the process to transition to alternative benchmark rates;

- a description of significant assumptions or judgements the entity made in applying these paragraphs (for example, assumptions or judgements about when he uncertainty arising from profit rate benchmark reform is no longer present with respect to the timing and the amount of the profit rate benchmark-based cash flows); and

- the nominal amount of the hedging instruments in those hedging relationships.

These amendments includes a number of relief, which apply to all hedging relationship that are directly affected by profit rate of benchmark reform. These amendments are to be applied retrospectively in annual periods beginning on or after 1 January 2020 only to hedging relationship and the amount of accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which the Bank first applies the amendments. These amendments do not have any significant impact to the financial statements of the Bank.

2. Accounting policies (cont'd.)

2.4 Significant changes in regulatory requirements

(i) Domestic Systemically Important Banks ("D-SIB") Framework issued by Bank Negara Malaysia ("BNM")

On 5 February 2020, BNM issued a policy document on Domestic Systemically Important Banks ("D-SIB") Framework and identified Maybank Group as one of the banks categorised as a D-SIB. Maybank Group is categorised under Bucket 2 of the Higher Loss Absorbency ("HLA") requirements which will come into effect on 31 January 2021. This policy document supersedes the Domestic Systemically Important Banks Framework Survey issued on 10 October 2016.

(ii) Revised Policy Document on Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM

On 9 December 2020, BNM issued the revised policy document on Capital Adequacy Framework for Islamic Banks (Capital Components) which came into effect immediately and shall be applied prospectively. The revised policy document applies to financial institutions in Malaysia which covers licensed Islamic banks, licensed banks carrying on Islamic banking business and financial holding companies. The revised policy document superseded policy documents issued by BNM previously, namely Capital Adequacy Framework for Islamic Banks (Capital Components) dated 5 February 2020 and Guidelines on the Recognition and Measurement of Profit Sharing Investment Account as Risk Absorbent dated 22 July 2011.

The revised policy document was updated to include:

(a) Additional capital buffer requirements on the HLA requirements for financial institution that is designated as a D-SIB; and

(b) The transitional arrangements for regulatory capital treatment of accounting provisions. Financial institutions which elect to apply the transitional arrangements are allowed to add back a portion of the Stage 1 and Stage 2 provisions for ECLs to Common Equity Tier 1 Capital over a four-year period from financial year beginning 2020 or a three-year period from financial year beginning 2021. This is consistent with the guidance issued by the Basel Committee of Banking Supervision on “Regulatory treatment of accounting provisions – interim approach and transitional arrangement” (March 2017) and “Measures to reflect the impact of COVID-19” (April 2020).

2. Accounting policies (cont'd.)

2.4 Significant changes in regulatory requirements (cont'd.)

(ii) Revised Policy Document on Capital Adequacy Framework for Islamic Banks (Capital Components) issued by BNM (cont'd.)

For the financial year ended 31 December 2020, the Bank does not elect to apply the transitional arrangement and will reassess the position in 2021. The application of the revised policy documents does not have any significant impact to the financial statements of the Bank.

(iii) Measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19

During the financial year ended 31 December 2020, BNM had announced various COVID-19 assistance programmes which aimed to support economy at large and provide relief to all affected individuals, SMEs and corporations. The support measures include the following:

Automatic six-month moratorium

The automatic moratorium applies to ringgit-denominated financing that are not in arrears exceeding 90 days as of 1 April 2020. However, the moratorium did not apply to credit card balances. For outstanding credit card balances, customers were offered an option to convert the outstanding balances into term-financing of not more than three years.

The moratorium did not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment. The financial impacts of the moratorium to the income statements of the Bank are as follows:

As at 31 December 2020	**RM'000**
(i) Loss on modification of cash flows included in financing income	**(689,084)**
(ii) Benefits recognised under the various government schemes included in financing income (Note 19)	**448,164**
Net effects of (i) and (ii) included in financing income (Note 26(a))	**(240,920)**

2. Accounting policies (cont'd.)

2.4 Significant changes in regulatory requirements (cont'd.)

(iii) Measures announced by BNM to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19 (cont'd.)

During the financial year ended 31 December 2020, BNM had announced various COVID-19 assistance programmes which aimed to support economy at large and provide relief to all affected individuals, SMEs and corporations. The support measures include the following (cont'd.):

Repayment assistance and classification in the Central Credit Reference Information System ("CCRIS")

Recognising the challenging environment, financial institutions are granting additional repayment assistance for individuals and SMEs whose income have been affected by the pandemic, to support economic recovery and safeguard livelihood of Malaysians.

The assistance is extended to facilities approved before 1 October 2020 which are not in arrears of more than 90 days at the time a customer requests for repayment assistance. The additional repayment assistance will be available to eligible customers until 30 June 2021.

The repayment assistance does not automatically result in a stage transfer under MFRS 9 in the absence of other factors indication evidence of significant increase in credit risk ("SICR"). Judgement and more holistic assessment of all relevant indicators and information, such as historical repayment and delinquency trend pre-COVID-19 pandemic, are applied in determining SICR. In addition, the financing that is approved under repayment assistance is exempted to be reported as rescheduling and restructuring ("R&R") and credit impaired in CCRIS.

Supervisory and Prudential Measures

During the financial year ended 31 December 2020, financial institutions are allowed to operate below the minimum Net Stable Funding Ratio and Liquidity Coverage Ratio of 100%, draw down the capital conservation buffer of 2.5% and reduce the regulatory reserves held against expected losses to 0%. However, financial institutions are expected to restore their buffer to the minimum regulatory requirement by 30 September 2021.

As at 31 December 2020, the Bank did not opt for any of the prudential buffers.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

3.1 Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Impairment of financial investments portfolio (Notes 7 and 28)

The Bank reviews its financial investments at FVOCI and financial investments at amortised cost under MFRS 9 which required to recognise the 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 impairment review, the following management's judgements are required:

(i) Determination whether the investment is impaired based on certain indicators such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of ECL that reflect:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) The time value of money; and

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.2 Impairment of financial investments portfolio (Notes 7 and 28) (cont'd.)

The overlays and post-model adjustments arising from COVID-19 pandemic 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 impact is outlined in Note 3.6.

3.3 Deferred tax (Note 18) and income taxes (Note 34)

The Bank is subject to income taxes in Malaysia and significant judgement 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 year in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

3.4 Leases - renewal option

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has the option, under some of its leases to lease the assets for additional terms of three to five years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Bank included the renewal period as part of the lease term for leases of premises due to the significance of these assets to its operations.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.5 Fair value estimation of financial investments at FVTPL (Note 7), financial investments at FVOCI (Note 7), derivative financial instruments (Note 9) and financial liabilities designated at FVTPL

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cash flows method, option pricing models, credit models and other relevant valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 40 for further disclosures.

3.6 Impairment losses on financing and advances (Notes 8 and 27)

The Bank reviews its individually significant financing and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment losses. In estimating these cash flows, the Bank makes judgements about the customer’s financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

The Bank’s ECL calculations under MFRS 9 are output 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 PDs to the individual grades;

(ii) Criteria for assessing possible significant increase in credit risk and qualitative information to determine if allowances should be measured using lifetime ECL basis;

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.6 Impairment losses on financing and advances (Notes 8 and 27) (cont'd.)

The Bank's ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include (cont'd.):

(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 unemployment levels and collateral values and the effect on PDs, EADs and LGDs; and

(vi) Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

<u>Overlays and adjustments for ECL amid COVID-19 environment</u>

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 as at 31 December 2020.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.6 Impairment losses on financing and advances (Notes 8 and 27) (cont'd.)

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

The customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECL.

The impact of these post-model adjustments were estimated at both portfolio and vulnerable obligors level amounting to RM800.0 million for the Bank as at 31 December 2020.

This overlay includes impact assessment on impairment of financial investments portfolio outlined in Note 3.2.

4. Standards and annual improvements to standards issued but not yet effective

The following are standards and annual improvements to standards issued by Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 *Profit Rate Benchmark Reform (Phase 2)*	1 January 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contract - Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

4. Standards and annual improvements to standards issued but not yet effective (cont'd.)

Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 *Profit Rate Benchmark Reform (Phase 2)*

The amendments provide a practical expedient whereby a company would not derecognise or adjust the carrying amount of financial instruments for modifications required by profit rate benchmark reform, but would instead update the effective profit rate to reflect the change in the profit rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

The amendments are effective for annual reporting periods beginning on or after 1 January 2021, retrospectively in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, without the need to restate comparative information. Restatement of prior periods is permitted if, and only if, it is possible without the use of hindsight. Earlier application is permitted.

The Bank have established a project team to evaluate the potential impact of adopting this standard on the required effective date.

Annual Improvements to MFRS Standards 2018 - 2020

The amendments permit a subsidiary that elects to apply paragraph D13(a) of MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to MFRS. The amendments are also applied to an associate or joint venture that elects to apply paragraph D13(a) of MFRS 1. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have any impact on the Bank's financial statements.

Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

4. Standards and annual improvements to standards issued but not yet effective (cont'd.)

Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use* (cont'd.)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments is not expected to have any impact on the Bank's financial statements.

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contract - Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2022, earlier application is permitted. The amendments do not expected to have any impact on the Bank's financial statements.

Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*

The amendments clarify the following:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are to be applied retrospectively in annual periods beginning on or after 1 January 2023, with earlier application is permitted. The Bank are currently assessing the impact of adopting the amendments on the required effective date.

4. Standards and annual improvements to standards issued but not yet effective (cont'd.)

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify that:

- Gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- Gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the MASB. Earlier application is permitted. These amendments are not expected to have any impact on the Bank.

5. Cash and short-term funds

	31.12.2020 RM'000	31.12.2019 RM'000
Cash and balances with banks and other financial institutions	**43**	2
Money at call and interbank placements with remaining maturity not exceeding one month	**9,890,474**	21,703,237
	9,890,517	21,703,239

6. Financial assets purchased under resale agreements

The financial assets purchased under resale agreements are as follows:

	Note	31.12.2020 RM'000	31.12.2019 RM'000
Malaysian Government Investment Issues		**3,627,063**	-
Allowances for impairment losses	(i)	**(1,452)**	-
		3,625,611	-

(i) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial assets purchased under resale agreements are as follows:

As at 31 December 2020

Changes in the financial assets purchased under resale agreements for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2020 was mainly due to the following:

- The overall increase in the gross carrying amount for financial assets purchased under resale agreements was mainly contributed by new financial assets purchased which correspondingly increased in ECL allowances.

6. Financial assets purchased under resale agreements (cont'd.)

(i) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial assets purchased under resale agreements are as follows (cont'd.):

As at 31 December 2020 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	-	-	-	-
New financial assets purchased	1,452	-	-	1,452
At 31 December 2020	1,452	-	-	1,452

7. Financial investments portfolio

	Note	31.12.2020 RM'000	31.12.2019 RM'000
Financial investments at fair value through profit or loss	(i)	-	383,194
Financial investments at fair value through other comprehensive income	(ii)	18,453,139	15,292,520
Financial investments at amortised cost	(iii)	16,381,007	9,671,676
		34,834,146	25,347,390

7. Financial investments portfolio (cont'd.)

(i) Financial investments at fair value through profit or loss ("FVTPL")

	31.12.2020 RM'000	31.12.2019 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	**-**	383,194
Total financial investments at FVTPL	**-**	383,194

(ii) Financial investments at fair value through other comprehensive income ("FVOCI")

	31.12.2020 RM'000	31.12.2019 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	**13,473,916**	11,743,868
Negotiable Islamic Instruments of Deposits	**-**	1,198,172
Khazanah Sukuk	**29,032**	-
	13,502,948	12,942,040
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	**4,147,084**	2,289,237
Government Sukuk	**41,892**	43,374
Equity	**1,250**	1,250
	4,190,226	2,333,861
Outside Malaysia:		
Islamic Corporate Sukuk	**759,965**	16,619
	4,950,191	2,350,480
Total financial investments at FVOCI	**18,453,139**	15,292,520

7. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

(a) Included in the financial investments at FVOCI is the Malaysian Government Investment Issues which has been recognised as part of Statutory Reserve Account ("SRA") balance amounting to RM5.0 million (31 December 2019: nil) for the Bank.

(b) The maturity profile of money market instruments are as follows:

	31.12.2020 RM'000	**31.12.2019 RM'000**
Within one year	**158,839**	3,377,071
One year to three years	**5,251,253**	1,061,642
Three years to five years	**1,538,523**	2,908,623
After five years	**6,554,333**	5,594,704
	13,502,948	12,942,040

(c) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows:

As at 31 December 2020

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2020 was mainly due to the following:

- The overall increase in the gross carrying amount of financial investments at FVOCI was mainly contributed by Corporate sukuk due to new financial assets purchased. The increase in the gross carrying amount resulted in corresponding increase in ECL allowances measured on a 12-month basis.

7. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

(c) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows (cont'd.):

As at 31 December 2020 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	**1,866**	**-**	**-**	**1,866**
Transferred to Stage 2	**(279)**	**279**	**-**	**-**
New financial assets purchased	**2,261**	**-**	**-**	**2,261**
Net remeasurement of allowances	**246**	**272**	**-**	**518**
Financial assets derecognised	**(1,142)**	**-**	**-**	**(1,142)**
Changes in models/ risk parameters	**(34)**	**-**	**-**	**(34)**
Exchange differences	**(106)**	**-**	**-**	**(106)**
At 31 December 2020	**2,812**	**551**	**-**	**3,363**

As at 31 December 2019

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2019 was mainly due to the following:

- The overall increase in the gross carrying amount of financial investments at FVOCI was mainly contributed by Negotiable Islamic Instruments of Deposits, due to new financial assets purchased. The increase in the gross carrying amount resulted in corresponding increase in ECL allowances measured on a 12-month basis.

7. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

(c) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows (cont'd.):

As at 31 December 2019 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	484	44	-	528
Transferred to Stage 1	44	(44)	-	-
New financial assets purchased	1,503	-	-	1,503
Net remeasurement of allowances	119	-	-	119
Financial assets derecognised	(197)	-	-	(197)
Changes in models/ risk parameters	(87)	-	-	(87)
At 31 December 2019	1,866	-	-	1,866

(d) Equity instrument at FVOCI is as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Raeed Holdings Berhad	**1,250**	1,250

7. Financial investments portfolio (cont'd.)

(iii) Financial investments at amortised cost

	31.12.2020 RM'000	31.12.2019 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government Investment Issues	**4,588,339**	1,843,057
Khazanah Sukuk	**932,288**	-
	5,520,627	1,843,057
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	**11,130,024**	7,846,614
Allowances for impairment losses	**(269,644)**	(17,995)
Total financial investments at amortised cost	**16,381,007**	9,671,676

(a) As at 31 December 2020, the exposure of the financial investments at amortised cost funded by RPSIA was RM2,884.2 million (31 December 2019: RM2,206.7 million).

(b) Included in financial investments at amortised cost is the Malaysian Government Investment Issues which has been recognised as part of SRA balance amounting to RM2,845.0 million (31 December 2019: nil) for the Bank.

(c) The maturity profile of money market instruments is as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Within one year	**129,399**	-
One year to three years	**1,072,518**	-
Three years to five years	**618,567**	-
After five years	**3,700,143**	1,843,057
	5,520,627	1,843,057

7. Financial investments portfolio (cont'd.)

(iii) Financial investments at amortised cost (cont'd.)

(d) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows:

As at 31 December 2020

Changes in the financial investments at amortised cost for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2020 were mainly due to following:

- The increase in the gross carrying amount of financial investments at amortised cost was contributed by Corporate Sukuk, due to new financial assets purchased which correspondingly increased the ECL allowances.

- The increase in the ECL for Stage 2 was due to deterioration in credit risk which correspondingly increase the net remeasurement of allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	**17,995**	**-**	**-**	**17,995**
Transferred to Stage 2	**(1,879)**	**1,879**	**-**	**-**
Net remeasurement of allowances	**16,628**	**229,386**	**-**	**246,014**
New financial assets purchased	**9,257**	**-**	**-**	**9,257**
Financial assets derecognised	**(3,695)**	**-**	**-**	**(3,695)**
Changes in models/ risk parameters	**73**	**-**	**-**	**73**
At 31 December 2020	**38,379**	**231,265**	**-**	**269,644**

7. Financial investments portfolio (cont'd.)

(iii) Financial investments at amortised cost (cont'd.)

(d) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows (cont'd.):

As at 31 December 2019

Changes in the financial investments at amortised cost for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2019 were mainly due to following:

- The increase in the gross carrying amount of financial investments at amortised cost was largely contributed by Corporate Sukuk, due to new financial assets purchased which correspondingly resulted in increased ECL allowances. This is mitigated by the decrease in the ECL allowances mainly due to improvement in credit risk.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	6,025	9,354	-	15,379
Transferred to Stage 1	9,354	(9,354)	-	-
Net remeasurement of allowances	(12,129)	-	-	(12,129)
New financial assets purchased	15,500	-	-	15,500
Financial assets derecognised	(290)	-	-	(290)
Changes in models/ risk parameters	(465)	-	-	(465)
At 31 December 2019	17,995	-	-	17,995

8. Financing and advances

	31.12.2020 RM'000	31.12.2019 RM'000
Financing and advances:		
(A) Financing and advances at FVOCI	**2,741,267**	440,383
(B) Financing and advances at amortised cost	**289,662,732**	280,650,934
	292,403,999	281,091,317
Unearned income	**(85,698,158)**	(89,087,920)
Gross financing and advances	**206,705,841**	192,003,397
Allowances for ECL and impairment losses:		
- Stage 1 - 12-month ECL	**(574,213)**	(371,029)
- Stage 2 - Lifetime ECL not credit impaired	**(1,209,931)**	(616,576)
- Stage 3 - Lifetime ECL credit impaired	**(1,254,822)**	(1,252,818)
Net financing and advances	**203,666,875**	189,762,974

8. Financing and advances (cont'd.)

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

31.12.2020	Bai'[1] RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al-Bai' ("AITAB")[2] RM'000	Ijarah[3] RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	6,354,760	-	-	-	-	6,354,760
Term financing							
- House financing	13,846,268	77,006,822	1,877,969	-	-	609	92,731,668
- Syndicated financing	-	7,106,556	-	-	-	-	7,106,556
- Hire purchase receivables	-	9,635,007	-	35,204,145	-	-	44,839,152
- Lease receivables	-	-	-	-	303,050	-	303,050
- Other term financing	10,653,246	106,866,849	610,568	-	-	18,364	118,149,027
Bills receivable	-	-	-	-	-	50	50
Trust receipts	-	106,257	-	-	-	-	106,257
Claims on customers under acceptance credits	-	4,723,695	-	-	-	-	4,723,695
Staff financing	390,857	2,110,096	8,384	179,242	-	33,633	2,722,212
Credit card receivables	-	-	-	-	-	1,263,404	1,263,404
Revolving credit	-	14,068,861	-	-	-	-	14,068,861
Share margin financing	-	29,008	-	-	-	-	29,008
Financing to:							
- Directors of the Bank	-	2,024	-	-	-	8	2,032
- Directors of related companies	-	3,879	-	340	-	48	4,267
	24,890,371	228,013,814	2,496,921	35,383,727	303,050	1,316,116	292,403,999
Unearned income							(85,698,158)
Gross financing and advances[4]							206,705,841
Allowances for ECL and impairment losses:							
- Stage 1 - 12-month ECL							(574,213)
- Stage 2 - Lifetime ECL not credit impaired							(1,209,931)
- Stage 3 - Lifetime ECL credit impaired							(1,254,822)
Net financing and advances							203,666,875

[1] Bai' comprises of Bai'-Bithaman Ajil, Bai' Al-Inah and Bai'-Al-Dayn.

[2] The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.

[3] The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.

[4] Included in financing and advances are the underlying assets under the RPSIA and Investment Accounts of Customers ("IA").

8. Financing and advances (cont'd.)

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

31.12.2019	Bai'[1] RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al-Bai' ("AITAB")[2] RM'000	Ijarah[3] RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	6,780,832	-	-	-	-	6,780,832
Term financing							
- House financing	14,680,463	70,986,581	1,975,592	-	-	616	87,643,252
- Syndicated financing	-	7,000,329	-	-	-	-	7,000,329
- Hire purchase receivables	-	4,195,944	-	36,895,190	-	-	41,091,134
- Lease receivables	-	-	-	-	195,334	-	195,334
- Other term financing	13,743,113	99,842,852	692,965	-	-	17,846	114,296,776
Trust receipts	-	140,437	-	-	-	-	140,437
Claims on customers under acceptance credits	-	5,275,548	-	-	-	-	5,275,548
Staff financing	445,245	1,889,985	8,753	175,080	636	42,796	2,562,495
Credit card receivables	-	-	-	-	-	1,269,625	1,269,625
Revolving credit	-	14,808,884	-	-	-	-	14,808,884
Share margin financing	-	19,594	-	-	-	-	19,594
Financing to:							
- Directors of the Bank	-	6,160	-	299	-	138	6,597
- Directors of related companies	-	480	-	-	-	-	480
	28,868,821	210,947,626	2,677,310	37,070,569	195,970	1,331,021	281,091,317
Unearned income							(89,087,920)
Gross financing and advances[4]							192,003,397
Allowances for ECL and impairment losses:							
- Stage 1 - 12-month ECL							(371,029)
- Stage 2 - Lifetime ECL not credit impaired							(616,576)
- Stage 3 - Lifetime ECL credit impaired							(1,252,818)
Net financing and advances							189,762,974

[1] Bai' comprises of Bai'-Bithaman Ajil, Bai' Al-Inah and Bai'-Al-Dayn.
[2] The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.
[3] The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.
[4] Included in financing and advances are the underlying assets under the RPSIA and Investment Accounts of Customers ("IA").

8. Financing and advances (cont'd.)

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

	31.12.2020 RM'000	31.12.2019 RM'000
Domestic non-banking financial institutions	**4,385,735**	4,193,842
Domestic business enterprises:		
- Small and medium enterprises	**26,319,703**	22,997,908
- Others	**30,637,837**	32,936,985
Government and statutory bodies	**16,144,388**	14,253,189
Individuals	**127,787,608**	116,114,222
Other domestic entities	**33,265**	25,025
Foreign entities	**1,397,305**	1,482,226
Gross financing and advances	**206,705,841**	192,003,397

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

	31.12.2020 RM'000	31.12.2019 RM'000
Fixed rate		
- House financing	**1,506,079**	1,279,574
- Hire purchase receivables	**31,474,156**	32,344,163
- Other financing	**33,281,314**	23,203,040
Floating rate		
- House financing	**53,987,854**	46,955,607
- Other financing	**86,456,438**	88,221,013
Gross financing and advances	**206,705,841**	192,003,397

(iv) Financing and advances analysed by their economic purposes are as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Purchase of securities	**24,118,381**	24,573,547
Purchase of transport vehicles	**40,840,421**	36,351,827
Purchase of landed properties:		
- Residential	**54,518,350**	47,209,422
- Non-residential	**14,667,103**	13,313,594
Purchase of fixed assets (excluding landed properties)	**148,492**	101,103
Personal use	**4,784,845**	3,995,649
Purchase of consumer durables	**346**	226
Constructions	**2,542,260**	3,005,311
Working capital	**63,783,960**	62,136,061
Credit/charge cards	**1,301,683**	1,316,657
Gross financing and advances	**206,705,841**	192,003,397

8. Financing and advances (cont'd.)

(v) The maturity profile of financing and advances are as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Within one year	**33,131,625**	33,800,893
One year to three years	**8,896,910**	7,675,303
Three years to five years	**15,229,505**	15,454,866
After five years	**149,447,801**	135,072,335
Gross financing and advances	**206,705,841**	192,003,397

(vi) Movements in the credit impaired financing and advances are as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Gross impaired financing and advances at 1 January	**3,115,266**	2,450,984
Impaired during the financial year	**584,878**	996,099
Reclassified as non-impaired	**(485,955)**	(118,390)
Amount recovered	**(437,564)**	(92,496)
Amount written-off	**(317,043)**	(359,705)
Amount related to Restricted Investment Account	**(7,176)**	238,774
Gross impaired financing and advances at 31 December	**2,452,406**	3,115,266
Less: Stage 3 - Lifetime ECL credit impaired	**(1,254,822)**	(1,252,818)
Net impaired financing and advances at 31 December	**1,197,584**	1,862,448

Calculation of ratio of net impaired financing and advances (excluding financing funded by RPSIA and IA):

Gross impaired financing and advances	**1,776,012**	2,395,279
Less: Stage 3 - Lifetime ECL credit impaired	**(1,254,822)**	(1,252,818)
Net impaired financing and advances	**521,190**	1,142,461

8. Financing and advances (cont'd.)

(vi) Movements in the credit impaired financing and advances are as follows (cont'd.):

Calculation of ratio of net impaired financing and advances (excluding financing funded by RPSIA and IA) (cont'd.):

	31.12.2020 RM'000	31.12.2019 RM'000
Gross financing and advances	**156,381,322**	153,974,211
Less: Allowances for financing and advances at amortised cost and at fair value through other comprehensive income	**(3,043,122)**	(2,243,324)
Net financing and advances	**153,338,200**	151,730,887
Ratio of net impaired financing and advances	**0.34%**	0.75%

(vii) Credit impaired financing and advances analysed by their economic purposes are as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Purchase of securities	**76,253**	3,230
Purchase of transport vehicles	**174,184**	185,196
Purchase of landed properties:		
- Residential	**381,806**	307,530
- Non-residential	**178,437**	191,711
Purchase of fixed assets (exclude landed properties)	**889**	995
Personal use	**49,336**	53,901
Purchase of consumer durables	**2**	3
Constructions	**50,111**	256,497
Working capital	**1,536,493**	2,107,753
Credit/charge cards	**4,895**	8,450
	2,452,406	3,115,266

8. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows:

As at 31 December 2020

Changes in the gross carrying amount of financing and advances carried at fair value through other comprehensive income and amortised cost for the Bank that contributed to the changes in the loss allowance during the financial year ended 31 December 2020 were mainly due to the following:

- The high volume of hire purchase receivables, house financing and other term financing originated, increased the gross carrying amount by 9%, 6% and 3% respectively which correspondingly resulted in the increase in ECL allowances.

- However, there was a reduction in cashline and revolving credits by 6% and 5% respectively which resulted in a decrease in ECL allowances.

- Consistent with industry guidance, the Bank has introduced a number of support measures for customers impacted by COVID-19, including the deferral of payments for retail and non-retail customers for an initial period of up to six months. This has resulted in day-one modification loss to contractual cash flows recognised by the Bank amounting to RM689.1 million.

- Given the disruptive impact of the COVID-19 pandemic, the ECL for Stage 1 (12-month ECL) and Stage 2 (lifetime ECL not credit impaired) increased primarily due to forward-looking provision.

- The gross carrying amount of financing and advances that was written-off during the financial year, which is still subject to recovery activity was RM317.0 million (2019: RM359.7 million). This has resulted in the reduction of Stage 3 lifetime ECL credit impaired by the same amount.

8. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2020 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At fair value through other comprehensive income				
At 1 January 2020	**523**	**2,378**	**-**	**2,901**
New financial assets originated or purchased	**1,036**	**-**	**-**	**1,036**
Changes in models/risk parameters	**103**	**116**	**-**	**219**
At 31 December 2020	**1,662**	**2,494**	**-**	**4,156**

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At amortised cost				
At 1 January 2020	**371,029**	**616,576**	**1,252,818**	**2,240,423**
Transferred to Stage 1	**192,492**	**(180,987)**	**(11,505)**	**-**
Transferred to Stage 2	**(24,260)**	**216,014**	**(191,754)**	**-**
Transferred to Stage 3	**(5,653)**	**(133,942)**	**139,595**	**-**
Net remeasurement of allowances	**89,882**	**615,209**	**436,543**	**1,141,634**
New financial assets originated or purchased	**111,779**	**105,132**	**-**	**216,911**
Financial assets derecognised	**(53,808)**	**(78,272)**	**(163,013)**	**(295,093)**
Changes in models/risk parameters	**(110,039)**	**40,745**	**-**	**(69,294)**
Amount related to Restricted Investment Accounts*	**3,084**	**11,681**	**122,297**	**137,062**
Amount written-off	**-**	**-**	**(317,043)**	**(317,043)**
Exchange differences	**(293)**	**(2,225)**	**(13,116)**	**(15,634)**
At 31 December 2020	**574,213**	**1,209,931**	**1,254,822**	**3,038,966**

8. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2019

Changes in the gross carrying amount of financing and advances carried at fair value through other comprehensive income and amortised cost for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2019 were mainly due to the following:

- The high volume of syndicated financing, hire purchase receivables and housing financing originated, increased the gross carrying amount by more than 100% for syndicated financing while hire purchase receivables and housing financing are increased by 8% and 4% respectively, which resulted in increased ECL allowances measured on a 12-month basis.

- There was a reduction in revolving credits and other term financing by 6% and 4% respectively which resulted in a decrease in ECL allowances.

- The write-off of financing with a total carrying amount of RM359.7million resulted in the reduction of Stage 3 lifetime ECL credit impaired by the same amount.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At fair value through other comprehensive income				
At 1 January 2019	1,399	3,800	-	5,199
Changes in models/risk parameters	(876)	(1,422)	-	(2,298)
At 31 December 2019	523	2,378	-	2,901

8. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2019 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At amortised cost				
At 1 January 2019	510,284	983,711	1,055,811	2,549,806
Transferred to Stage 1	210,983	(201,830)	(9,153)	-
Transferred to Stage 2	(26,947)	94,232	(67,285)	-
Transferred to Stage 3	(1,866)	(86,803)	88,669	-
Net remeasurement of allowances	(210,195)	34,631	517,854	342,290
New financial assets originated or purchased	128,082	119,126	-	247,208
Financial assets derecognised	(59,128)	(167,654)	(205,786)	(432,568)
Changes in models/risk parameters	(197,209)	(163,389)	1,683	(358,915)
Amount related to Restricted Investment Accounts*	17,221	5,530	238,801	261,552
Amount written-off	-	-	(359,705)	(359,705)
Exchange differences	(196)	(978)	(8,071)	(9,245)
At 31 December 2019	371,029	616,576	1,252,818	2,240,423

* As at 31 December 2020, the gross exposure of the financing funded by RPSIA was RM26,483.7 million (31 December 2019: RM17,291.5 million). The expected credit losses relating to these financing amounting to RM446.6 million (31 December 2019: RM263.7 million) are reflected as a reduction in both financing and advances and deposits and placements of banks and other financial institutions as disclosed in Note 16.

The gross exposure of the financing funded by IA as at 31 December 2020 was RM23,840.8 million (31 December 2019: RM20,737.7 million).

9. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are indicative of neither the market risks nor the credit risk.

The Bank enters into derivative financial instruments at the request and on behalf of its customers as well as to hedge the Bank's own exposures and not for speculative purpose.

	31.12.2020			31.12.2019		
	Principal amount RM'000	<--------- Fair value ----------> Assets RM'000	Liabilities RM'000	Principal amount RM'000	<---------- Fair value ----------> Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange related contracts						
Currency forwards:						
- Less than one year	**7,302,204**	**16,665**	**(215,360)**	5,676,819	14,924	(92,608)
- One year to three years	**881,114**	**8,609**	**(8,609)**	806,712	3,254	(3,254)
- More than three years	**2,498,574**	**30,465**	**(30,465)**	2,195,804	5,786	(5,786)
	10,681,892	**55,739**	**(254,434)**	8,679,335	23,964	(101,648)
Currency swaps:						
- Less than one year	**15,836,028**	**180,934**	**(260,507)**	9,668,773	72,024	(26,213)
Currency spots:						
- Less than one year	**426,413**	**11,262**	**(865)**	199,992	78	(329)

9. Derivative financial instruments (cont'd.)

	31.12.2020			31.12.2019		
	Principal amount RM'000	<--------- Fair value ----------> Assets RM'000	Liabilities RM'000	Principal amount RM'000	<--------- Fair value ----------> Assets RM'000	Liabilities RM'000
Trading derivatives (cont'd.)						
Foreign exchange related contracts (cont'd.)						
Currency options:						
- Less than one year	**1,161**	**10**	**(10)**	730	1	(1)
Cross currency profit rate swaps:						
- Less than one year	**-**	**-**	**-**	636,033	35,350	(35,180)
- One year to three years	**2,092,853**	**31,242**	**(31,242)**	2,094,722	7,652	(7,652)
- More than three years	**415,320**	**2,135**	**(2,135)**	48,050	139	(139)
	2,508,173	**33,377**	**(33,377)**	2,778,805	43,141	(42,971)
Profit rate related contracts						
Profit rate swaps:						
- Less than one year	**80,340**	**456**	**(452)**	100,000	77	(77)
- One year to three years	**1,490,000**	**35,702**	**(35,702)**	571,880	4,394	(4,386)
- More than three years	**2,145,654**	**67,823**	**(70,955)**	3,351,901	56,735	(46,049)
	3,715,994	**103,981**	**(107,109)**	4,023,781	61,206	(50,512)
Total	**33,169,661**	**385,303**	**(656,302)**	25,351,416	200,414	(221,674)

10. Other assets

	31.12.2020	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Amount due from holding company	**1,772,618**	3,096,001	3,569,497
Handling fees	**191,339**	187,327	170,830
Prepayments and deposits	**21,796**	31,062	38,770
Tax recoverable	**319,391**	158,336	203,823
Margin account with holding company	**98,420**	45,690	-
Other debtors	**401,360**	223,256	49,676
	2,804,924	3,741,672	4,032,596

11. Statutory deposit with Bank Negara Malaysia

The non-profit bearing statutory deposit maintained with Bank Negara Malaysia is in compliance with the requirements of the Central Bank of Malaysia Act 2009, the amount of which is determined as set percentages of total eligible liabilities.

12. Property, plant and equipment

As at 31 December 2020	Office furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2020	**1,083**	**139**	**398**	**1,620**
Additions	**3**	**-**	**-**	**3**
Exchange differences	**12**	**-**	**3**	**15**
At 31 December 2020	**1,098**	**139**	**401**	**1,638**
Accumulated depreciation				
At 1 January 2020	**122**	**7**	**33**	**162**
Depreciation charge for the financial year (Note 31)	**392**	**30**	**83**	**505**
Exchange differences	**(6)**	**(1)**	**(1)**	**(8)**
At 31 December 2020	**508**	**36**	**115**	**659**
Net carrying amount	**590**	**103**	**286**	**979**

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

As at 31 December 2019	Office furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2019	-	-	-	-
Additions	1,083	139	398	1,620
At 31 December 2019	1,083	139	398	1,620
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Depreciation charge for the financial year (Note 31)	123	7	34	164
Exchange differences	(1)	-	(1)	(2)
At 31 December 2019	122	7	33	162
Net carrying amount	961	132	365	1,458

13. Right-of-use assets

	Premises	
	31.12.2020 RM'000	**31.12.2019 RM'000**
Cost		
At 1 January	**15,096**	-
- effect of adopting MFRS 16	**-**	6,694
At 1 January, as restated	**15,096**	6,694
Additions	**-**	5,106
Modification	**-**	3,296
Exchange differences	**52**	-
At 31 December	**15,148**	15,096
Accumulated depreciation		
At 1 January	**2,130**	-
Depreciation charge for the financial year (Note 31)	**3,129**	2,145
Exchange differences	**(12)**	(15)
At 31 December	**5,247**	2,130
Net carrying amount		
At 31 December	**9,901**	12,966

14. Deposits from customers

	31.12.2020 RM'000	31.12.2019 RM'000
Savings deposits		
Qard	**23,708,048**	17,504,325
Demand deposits		
Qard	**26,703,465**	19,704,598
Term deposits		
Murabahah	**114,498,944**	123,236,922
Qard	**357,789**	593,295
	114,856,733	123,830,217
	165,268,246	161,039,140

(i) The maturity profile of term deposits are as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Within six months	**93,537,277**	106,002,510
Six months to one year	**11,127,134**	17,720,477
One year to three years	**10,167,779**	89,690
Three years to five years	**24,543**	17,540
	114,856,733	123,830,217

(ii) The deposits are sourced from the following type of customers:

	31.12.2020 RM'000	31.12.2019 RM'000
Business enterprises	**55,608,362**	58,847,094
Individuals	**45,188,774**	39,051,336
Government and statutory bodies	**32,798,930**	30,521,401
Others	**31,672,180**	32,619,309
	165,268,246	161,039,140

15. Investment accounts of customers

Mudharabah	**31.12.2020 RM'000**	**31.12.2019 RM'000**
Unrestricted investment accounts	**23,840,796**	20,616,075
Restricted investment accounts*	**-**	121,595
	23,840,796	20,737,670

* Net of expected credit losses associated with the financing assets funded by the Restricted Investment Accounts.

(i) Movements in the investment accounts of customers are as follows:

	Unrestricted investment accounts RM'000	**Restricted investment accounts RM'000**	**Total investment accounts RM'000**
31.12.2020			
Funding inflows/outflows			
At 1 January	**20,616,075**	**121,595**	**20,737,670**
New placement during the financial year	**48,131,364**	**-**	**48,131,364**
Redemption during the financial year	**(44,901,140)**	**(121,576)**	**(45,022,716)**
Profit payable	**(5,503)**	**(19)**	**(5,522)**
At 31 December	**23,840,796**	**-**	**23,840,796**
31.12.2019			
Funding inflows/outflows			
At 1 January	23,445,562	119,499	23,565,061
New placement during the financial year	34,447,512	2,129	34,449,641
Redemption during the financial year	(37,270,721)	-	(37,270,721)
Profit payable	(6,278)	(33)	(6,311)
At 31 December	20,616,075	121,595	20,737,670

(ii) Investment accounts are sourced from the following type of customers:

	Unrestricted investment accounts RM'000	**Restricted investment accounts RM'000**	**Total investment accounts RM'000**
31.12.2020			
Business enterprises	**13,328,580**	**-**	**13,328,580**
Individuals	**9,200,552**	**-**	**9,200,552**
Government and statutory bodies	**112,309**	**-**	**112,309**
Others	**1,199,355**	**-**	**1,199,355**
	23,840,796	**-**	**23,840,796**

15. Investment accounts of customers (cont'd.)

(ii) Investment accounts are sourced from the following type of customers (cont'd.):

	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
31.12.2019			
Business enterprises	10,538,830	121,595	10,660,425
Individuals	8,922,749	-	8,922,749
Government and statutory bodies	95,817	-	95,817
Others	1,058,679	-	1,058,679
	20,616,075	121,595	20,737,670

(iii) Maturity structure of investment accounts are as follows:

	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
31.12.2020			
- without maturity	**18,243,257**	**-**	**18,243,257**
- with maturity	**5,597,539**	**-**	**5,597,539**
Within six months	**4,241,279**	**-**	**4,241,279**
Six months to one year	**1,342,789**	**-**	**1,342,789**
One year to three years	**9,158**	**-**	**9,158**
Three years to five years	**4,313**	**-**	**4,313**
	23,840,796	**-**	**23,840,796**
31.12.2019			
- without maturity	13,387,845	-	13,387,845
- with maturity	7,228,230	121,595	7,349,825
Within six months	5,577,342	121,595	5,698,937
Six months to one year	1,633,073	-	1,633,073
One year to three years	15,045	-	15,045
Three years to five years	2,770	-	2,770
	20,616,075	121,595	20,737,670

15. Investment accounts of customers (cont'd.)

(iv) The allocation of investment asset are as follows:

	Unrestricted investment accounts RM'000	Restricted investment accounts RM'000	Total investment accounts RM'000
31.12.2020			
Retail financing	**22,550,499**	**-**	**22,550,499**
Non-retail financing	**1,290,297**	**-**	**1,290,297**
	23,840,796	**-**	**23,840,796**
31.12.2019			
Retail financing	18,855,165	-	18,855,165
Non-retail financing	1,760,910	121,595	1,882,505
	20,616,075	121,595	20,737,670

(v) Profit sharing ratio and rate of return are as follows:

	Investment account holder ("IAH")	
	Average profit sharing ratio (%)	Average rate of return (%)
31.12.2020		
Unrestricted investment accounts	**36.53**	**1.64**
Restricted investment accounts	**99.95**	**4.03**
31.12.2019		
Unrestricted investment accounts	51.62	2.61
Restricted investment accounts	99.95	4.19

16. Deposits and placements of banks and other financial institutions

	31.12.2020 RM'000	31.12.2019 RM'000
Mudharabah fund		
Licensed banks*	**28,997,440**	19,307,946
	28,997,440	19,307,946
Non-Mudharabah fund		
Licensed banks	**7,662,450**	16,381,929
Licensed Islamic banks	**549,213**	1,125,849
Licensed investment banks	**49,721**	199,691
Other financial institutions	**1,512,028**	1,812,141
	9,773,412	19,519,610
Total	**38,770,852**	38,827,556

* Mudharabah deposits and placements of licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the holding company amounting to RM28,997.4 million (31 December 2019: RM19,307.9 million). These placements are used to fund certain specific financing and advances and purchase of financial investments at amortised cost instruments.

17. Other liabilities

	Note	31.12.2020 RM'000	31.12.2019 RM'000
Sundry creditors		**175,210**	67,616
Deposit on trade financing		**34,457**	35,092
Provisions and accruals		**25,654**	27,610
Provisions for commitments and contingencies	(i)	**47,918**	-
Allowances for impairment losses on financing commitments and financial guarantee contracts	(ii)	**36,341**	26,682
Lease liabilities	(iii)	**9,896**	12,228
Structured deposits		**1,161**	1,737
Amount due to related company		**8,443**	-
		339,080	170,965

17. Other liabilities (cont'd.)

(i) The movements of provisions for commitments and contingencies are as follows:

	31.12.2020 RM'000
At 1 January	-
Provision made during the financial year	47,918
At 31 December	47,918

(ii) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

As at 31 December 2020

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	20,003	4,541	2,138	26,682
Transferred to Stage 1	337	(327)	(10)	-
Transferred to Stage 2	(6,163)	6,163	-	-
Transferred to Stage 3	-	(73)	73	-
Net remeasurement of allowances	689	355	(1,772)	(728)
New credit exposures originated or purchased	14,393	2,260	-	16,653
Credit exposures derecognised	(2,851)	(3,294)	(46)	(6,191)
Changes in models/risk parameters	1	(16)	-	(15)
Exchange differences	(43)	(17)	-	(60)
At 31 December 2020	26,366	9,592	383	36,341

17. Other liabilities (cont'd.)

(ii) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows (cont'd.):

As at 31 December 2019

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2019	24,192	6,474	276	30,942
Transferred to Stage 1	130	(130)	-	-
Transferred to Stage 2	(302)	751	(449)	-
Transferred to Stage 3	-	(6)	6	-
Net remeasurement of allowances	(5,339)	(1,583)	2,579	(4,343)
New credit exposures originated or purchased	3,519	2,690	-	6,209
Credit exposures derecognised	(2,191)	(4,095)	(274)	(6,560)
Changes in models/risk parameters	4	455	-	459
Exchange differences	(10)	(15)	-	(25)
At 31 December 2019	20,003	4,541	2,138	26,682

(iii) Lease liabilities

The movement in lease liabilities are as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
At 1 January	**12,228**	5,583
New lease contracts	**-**	8,902
Finance cost on lease liabilities	**398**	240
Lease obligation reduction	**(2,728)**	(2,497)
Exchange differences	**(2)**	-
At 31 December	**9,896**	12,228

The undiscounted maturity analysis of lease liabilities are as follows:

Less than one year	**4,068**	4,112
Between one and five years	**6,772**	10,087
More than five years	**-**	812
	10,840	15,011

18. Deferred tax

	31.12.2020 RM'000	31.12.2019 RM'000
At 1 January	**83,002**	(24,077)
Recognised in income statement (Note 34)	**270,826**	(1,915)
Recognised in statement of other comprehensive income	**95,984**	108,994
At 31 December	**449,812**	83,002

Presented after appropriate offsetting as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Deferred tax assets	**(180,239)**	(22,351)
Deferred tax liabilities	**630,051**	105,353
	449,812	83,002

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

The component and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Bank:

	Impairment losses on financing, financial investment and other financial assets RM'000	FVOCI reserve RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	**(19,557)**	**-**	**(2,794)**	**(22,351)**
Recognised in income statement	**(156,129)**	**-**	**(1,759)**	**(157,888)**
At 31 December 2020	**(175,686)**	**-**	**(4,553)**	**(180,239)**

18. Deferred tax (cont'd.)

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

Deferred tax assets of the Bank (cont'd.):

	Impairment losses on financing, financial investment and other financial assets RM'000	FVOCI reserve RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2019	(16,779)	(3,658)	(3,640)	(24,077)
Recognised in income statement	(2,778)	-	846	(1,932)
Transferred to deferred tax liabilities	-	3,658	-	3,658
At 31 December 2019	(19,557)	-	(2,794)	(22,351)

Deferred tax liabilities of the Bank:

	FVOCI reserve RM'000	Unabsorbed capital allowance RM'000	Profit on financing moratorium RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	**105,336**	**17**	**-**	**-**	**105,353**
Recognised in income statement	**-**	**4**	**428,546**	**164**	**428,714**
Recognised in statement of other comprehensive income	**95,984**	**-**	**-**	**-**	**95,984**
At 31 December 2020	**201,320**	**21**	**428,546**	**164**	**630,051**

18. Deferred tax (cont'd.)

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

Deferred tax liabilities of the Bank (cont'd.):

	FVOCI reserve RM'000	Unabsorbed capital allowance RM'000	Total RM'000
At 1 January 2019	-	-	-
Recognised in income statement	-	17	17
Recognised in statement of other comprehensive income	108,994	-	108,994
Transferred from deferred tax assets	(3,658)	-	(3,658)
At 31 December 2019	105,336	17	105,353

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

	31.12.2020 RM'000	31.12.2019 RM'000
Unutilised tax losses	**158,974**	60,781

The Bank has not recognised deferred tax assets in respect of unused tax losses from International Currency Business Unit ("ICBU") as it is not probable that future taxable profits will be available against which they can be utilised.

19. Term funding

	31.12.2020 RM'000	31.12.2019 RM'000
Unsecured term funding:		
(i) Commercial Paper		
- Less than one year	**7,945,896**	7,888,771
(ii) Medium Term Notes		
- More than one year	**2,003,222**	2,003,222
(iii) Term funding		
- More than one year (note(a))	**945,940**	-
Total term funding	**10,895,058**	9,891,993

19. Term funding (cont'd.)

Note(a) Term funding relates to amounts received by the Bank under government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME financing at a below market rate with a six-year maturity to be repaid on 17 June 2026. The financing under the government scheme is for financing at concession rates to SMEs and for COVID-19 related relief measures. The benefits under the government financing scheme that are recognised in the profit or loss are as disclosed in Note 2.4(iii) of the financial statements.

Included in the unsecured term funding issued by the Bank are as follows:

RM10.0 billion Islamic Commercial Paper/Islamic Medium Term Note Programme

On 21 February 2017, the Bank established a RM10.0 billion Islamic Commercial Paper/Islamic Medium Term Note Programme, pursuant to which the Bank may issue, from time to time, Ringgit Malaysia Islamic Commercial Papers ("RM ICPs") and/or Ringgit Malaysia Islamic Medium Term Notes ("RM IMTNs") of up to RM10.0 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar.

The ICP/IMTN Programme will give the Bank flexibility to raise funds via the issuance of Islamic commercial papers and/or Islamic medium term notes from time to time which can be utilised, amongst others, to fund the Bank's working capital, general banking and other Shariah compliant corporate purposes, including the refinancing of any existing financing or debt instruments issued by the Bank.

The following are the changes in the term funding that include the commercial papers/medium term notes/sukuk issued/redeemed by the Bank during the financial year ended 31 December 2020:

Issuance of Commercial Papers

The aggregate nominal value of the commercial papers issued by the Bank and outstanding as at 31 December 2020 are as follows:

Currency	Description	Aggregate Nominal Value (RM' million)
RM	Zero Profit ICP	8,000.0

20. Subordinated sukuk

	Note	31.12.2020 RM'000	31.12.2019 RM'000
RM1,000 million subordinated sukuk due in 2026	(i)	**1,017,454**	1,017,708
RM1,000 million subordinated sukuk due in 2029	(ii)	**1,010,849**	1,010,603
		2,028,303	2,028,311

The details of the issued subordinated sukuk are as follows:

Note	Description/nominal value	Issue date	First call date	Maturity date	Profit rate (% p.a.)	Nominal Value (RM' million)
	RM10.0 billion Subordinated Sukuk Murabahah Programme					
(i)	Subordinated Sukuk Murabahah[1]	15-Feb-16	15-Feb-21	13-Feb-26	4.65	1,000.0
(ii)	Subordinated Sukuk Murabahah[1]	5-Apr-19	5-Apr-24	5-Apr-29	4.50	1,000.0

[1] The Bank may, subject to the prior consent of BNM, redeem these subordinated sukuk, in whole or in part, on the first call date and on each semi-annual profit payment date thereafter.

21. Capital securities

Description	Issue date	First call date	Maturity date	31.12.2020 RM'000	31.12.2019 RM'000
RM10.0 billion Additional Tier 1 Sukuk Wakalah Programme					
RM1,000.0 million 4.95% Additional Tier 1 Sukuk Wakalah[1]	14-Dec-17	14-Dec-22	Perpetual	**1,002,441**	1,002,170

[1] The Bank, may redeem these capital securities, in whole or in part on the first call date and on every Periodic Distribution Date thereafter.

On 14 December 2017, the Bank issued RM1.0 billion of Additional Tier 1 Sukuk Wakalah ("the AT1 Sukuk Wakalah") in nominal value with a tenure of Perpetual Non-Callable five (5) years pursuant to AT1 Sukuk Wakalah Programme of up to RM10.0 billion nominal value established on 23 November 2017. The proceeds from the issuance will be utilised for general banking, working capital and other Shariah compliant corporate purposes, as well as to refinance any existing financing or sukuk of the Bank.

22. Share capital

	31.12.2020 '000	31.12.2019 '000	31.12.2020 RM'000	31.12.2019 RM'000
Issued and fully paid:				
At 1 January	**338,910**	338,910	**7,197,398**	7,197,398
Issued during the year	**22,594**	-	**732,046**	-
At 31 December	**361,504**	338,910	**7,929,444**	7,197,398

During the current financial year ended 31 December 2020, the Bank increased its share capital from RM7,197,398,000 to RM7,929,444,000 via:

a) issuance of 22,594,000 new ordinary shares at issue price per share of RM32.40 to Maybank on the basis of one new share for every fifteen existing ordinary shares held at 10 June 2020.

23. Reserves

	Note	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Non-distributable:				
Equity contribution from the holding company		**1,697**	1,697	1,697
FVOCI reserve		**645,023**	338,321	(5,865)
Exchange fluctuation reserve		**403**	82	-
Regulatory reserve	(a)	**594,474**	846,497	313,516
		1,241,597	1,186,597	309,348
Distributable:				
Retained profits	(b)	**2,756,457**	2,457,477	2,760,303
Total reserves		**3,998,054**	3,644,074	3,069,651

(a) Regulatory reserve

Regulatory reserve is maintained in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) that has been assessed and recognised in accordance with MFRS and which has been transferred to/from retained profits, in accordance with BNM's Revised Financial Reporting Policy document issued on 27 September 2019.

(b) Retained profits

The retained profits of the Bank as at 31 December 2020 and 31 December 2019 are distributable profits and may be distributed as dividends under the single-tier system.

24. Income derived from investment of depositors' funds

	31.12.2020 RM'000	31.12.2019 RM'000
Income derived from investment of:		
(i) General investment deposits	**5,961,250**	7,334,262
(ii) Other deposits	**2,616,440**	2,203,823
	8,577,690	9,538,085

(i) Income derived from investment of general investment deposits

	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah		
Financing and advances (Note 26 (note(a)))	**4,568,090**	5,804,548
Financial assets purchased under resale agreements	**3,821**	-
Financial investments at fair value through profit or loss	**2,756**	10,382
Financial investments at fair value through other comprehensive income	**410,070**	373,320
Financial investments at amortised cost	**398,368**	315,222
Money at call and deposits with financial institutions	**220,898**	395,819
	5,604,003	6,899,291
(Amortisation of premiums)/accretion of discounts, net	**(21,210)**	18,123
Total finance income and hibah	**5,582,793**	6,917,414
Other operating income		
Fee income:		
- Processing fees	**16,309**	32,065
- Commissions	**117,363**	116,288
- Service charges and other fees	**116,459**	153,024
Gains on disposal of financial investments at fair value through other comprehensive income	**67,158**	54,550
Gains on disposal of financial investments at fair value through profit or loss	**5,855**	5,537
Unrealised (losses)/gains on revaluation of:		
- Derivatives	**(10,082)**	444
- Financial investments at fair value through profit or loss	**(447)**	669
- Financial liabilities at fair value through profit or loss	**-**	516
(Losses)/gains on foreign exchange:		
- Realised	**(28,329)**	45,171
- Unrealised	**93,200**	5,629
Realised gain on derivatives	**971**	2,955
Total other operating income	**378,457**	416,848
Total	**5,961,250**	7,334,262

Included in finance income are income on impaired assets amounting to RM42.2 million (2019: RM57.9 million).

24. Income derived from investment of depositors' funds (cont'd.)

(ii) Income derived from investment of other deposits

	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah		
Financing and advances (Note 26 (note(a)))	**2,004,970**	1,744,170
Financial assets purchased under resale agreements	**1,677**	-
Financial investments at fair value through profit or loss	**1,210**	3,120
Financial investments at fair value through other comprehensive income	**179,983**	112,177
Financial investments at amortised cost	**174,847**	94,719
Money at call and deposits with financial institutions	**96,954**	118,937
	2,459,641	2,073,123
(Amortisation of premiums)/accretion of discounts, net	**(9,309)**	5,446
Total finance income and hibah	**2,450,332**	2,078,569
Other operating income		
Fee income:		
- Processing fees	**7,158**	9,635
- Commissions	**51,512**	34,942
- Service charges and other fees	**51,115**	45,981
Gains on disposal of financial investments at fair value through other comprehensive income	**29,476**	16,391
Gains on disposal of financial investments at fair value through profit or loss	**2,570**	1,664
Unrealised (losses)/gains on revaluation of:		
- Derivatives	**(4,425)**	133
- Financial investments at fair value through profit or loss	**(196)**	201
- Financial liabilities at fair value through profit or loss	**-**	155
(Losses)/gains on foreign exchange:		
- Realised	**(12,434)**	13,573
- Unrealised	**40,906**	1,691
Realised gain on derivatives	**426**	888
Total other operating income	**166,108**	125,254
Total	**2,616,440**	2,203,823

Included in finance income are income on impaired assets amounting to RM18.5 million (2019: RM17.4 million).

25. Income derived from investment of investment account funds

	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah		
Financing and advances (Note 26 (note(a)))	**1,007,631**	1,051,371
Total finance income and hibah	**1,007,631**	1,051,371
Other operating income		
Fee income:		
- Commissions	**377**	282
- Service charges and other fees	**54**	76
Total other operating income	**431**	358
Total	**1,008,062**	1,051,729

26. Income derived from investment of shareholder's funds

	31.12.2020 RM'000	31.12.2019 RM'000
Finance income and hibah		
Financing and advances (note(a))	**315,370**	337,378
Financial assets purchased under resale agreements	**264**	-
Financial investments at fair value through profit or loss	**190**	603
Financial investments at fair value through other comprehensive income	**28,310**	21,699
Financial investments at amortised cost	**27,502**	18,322
Money at call and deposits with financial institutions	**15,250**	23,006
	386,886	401,008
(Amortisation of premiums)/accretion of discounts, net	**(1,464)**	1,053
Total finance income and hibah	**385,422**	402,061

26. Income derived from investment of shareholder's funds (cont'd.)

	31.12.2020 RM'000	31.12.2019 RM'000
Other operating income		
Fee income		
- Processing fees	**1,126**	1,864
- Commissions	**8,102**	6,759
- Service charges and other fees	**8,040**	8,894
Gains on disposal of financial investments at fair value through profit or loss	**404**	322
Gains on disposal of financial investments at fair value through other comprehensive income	**4,636**	3,171
Unrealised (losses)/gains on revaluation of:		
- Derivatives	**(696)**	26
- Financial investments at fair value through profit or loss	**(31)**	39
- Financial liabilities at fair value through profit or loss	**-**	30
(Losses)/gains on foreign exchange:		
- Realised	**(1,956)**	2,625
- Unrealised	**6,434**	327
Realised gain on derivatives	**67**	172
Total other operating income	**26,126**	24,229
Total	**411,548**	426,290

Included in finance income are income on impaired assets amounting to RM2.9 million (2019: RM3.4 million).

Note(a): Included the net effects under government support measures to assist customers adversely impacted by COVID-19 amounting to RM240,920,000 for the Bank.

27. Allowances for/(writeback of) impairment losses on financing and advances, net

	31.12.2020 RM'000	31.12.2019 RM'000
Allowances for/(writeback of) impairment losses on financing and advances:		
- Stage 1 - 12-month ECL, net	**51,185**	(343,333)
- Stage 2 - Lifetime ECL not credit impaired, net	**682,235**	(181,241)
- Stage 3 - Lifetime ECL credit impaired, net	**271,712**	316,056
Impaired financing and advances		
- Written-off	**13,934**	21,940
- Recovered	**(90,322)**	(96,161)
Allowances for/(writeback of) impairment losses on other debts	**134**	(127)
	928,878	(282,866)

28. Allowances for impairment losses on financial investments, net

	31.12.2020 RM'000	31.12.2019 RM'000
Financial investments at fair value through other comprehensive income		
- Stage 1 - 12-month ECL, net	**1,331**	1,338
- Stage 2 - Lifetime ECL not credit impaired, net	**272**	-
	1,603	1,338
Financial investments at amortised cost		
- Stage 1 - 12-month ECL, net	**22,263**	2,616
- Stage 2 - Lifetime ECL not credit impaired, net	**229,386**	-
	251,649	2,616
	253,252	3,954

29. Allowances for impairment losses on other financial assets, net

	31.12.2020 RM'000	31.12.2019 RM'000
Financial assets purchased under resale agreements		
- Stage 1 - 12-month ECL, net	**1,452**	-
	1,452	-

30. Profit distributed to depositors

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)
Deposits from customers		
- Non-mudharabah fund	**3,251,412**	4,419,295
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	**922,947**	686,555
- Non-mudharabah fund	**186,975**	458,611
	1,109,922	1,145,166
Financial liabilities at fair value through profit or loss		
- Non-mudharabah fund	**-**	4,298
Structured deposits		
- Non-mudharabah fund	**156**	10
Total	**4,361,490**	5,568,769

31. Overhead expenses

	31.12.2020 RM'000	31.12.2019 RM'000
Personnel expenses:		
- Salaries and wages	**26,692**	24,493
- Allowances and bonuses	**9,079**	8,339
- Social security cost	**171**	162
- Pension cost - defined contribution plan	**5,710**	5,175
- Share/options granted under ESGP	**2,066**	1,239
- Other staff related expenses	**6,045**	7,275
	49,763	46,683
Establishment costs:		
- Depreciation right-of-use assets (Note 13)	**3,129**	2,145
- Depreciation property, plant and equipment (Note 12)	**505**	164
- Rental of premises	**-**	715
- Repairs, servicing and maintenance	**65**	222
- Information technology expenses	**4,947**	3,217
- Finance cost on lease liabilities	**398**	240
- Others	**3**	4
	9,047	6,707

31. Overhead expenses (cont'd.)

	31.12.2020 RM'000	31.12.2019 RM'000
Marketing costs:		
- Advertisement and publicity	**5,261**	6,149
- Others	**7,366**	10,184
	12,627	16,333
Administration and general expenses:		
- Fees and brokerage	**62,391**	57,978
- Administrative expenses	**11,238**	12,291
- General expenses	**60,818**	13,507
- Auditors' remuneration		
Statutory audit:		
- Ernst & Young PLT	**531**	560
Assurance and compliance related services:		
- Reporting accountants, review engagements and regulatory-related services	**274**	274
Non-audit services:		
- Other services	**34**	-
- Directors' fees and other remunerations (Note 32)	**1,253**	1,363
- Shared service costs paid/payable to Maybank and related company	**1,387,761**	1,298,097
	1,524,300	1,384,070
Total	**1,595,737**	1,453,793

32. Chief executive officer, directors and Shariah Committee members' remuneration

	31.12.2020 RM'000	31.12.2019 RM'000
Chief executive officer:		
Salary and other remuneration, including meeting allowance	**3,129**	3,504
ESGP expenses	**512**	301
Estimated monetary value of benefit-in-kind	**38**	97
Pension cost - defined contribution plan	**563**	607
Other remunerations	**390**	293
	4,632	4,802

32. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

	31.12.2020 RM'000	31.12.2019 RM'000
Non-executive directors:		
Fees	**1,004**	1,067
Other remunerations	**158**	204
Estimated monetary value of benefit-in-kind	**91**	92
	1,253	1,363
Shariah Committee members	**907**	966
Total	**6,792**	7,131
Total (excluding benefit-in-kind)	**6,663**	6,942

The total remuneration of the directors are as follows:

	Fees RM'000	Meeting allowances RM'000	Benefits-in-kind RM'000	Total RM'000
31.12.2020				
Non-executive directors:				
Encik Zainal Abidin bin Jamal[1]	**96**	**12**	**34**	**142**
Encik Dali bin Sardar	**183**	**32**	**10**	**225**
Datuk Mohd Anwar bin Yahya	**178**	**30**	**17**	**225**
Dato' Zulkiflee Abbas bin Abdul Hamid	**225**	**32**	**28**	**285**
Associate Professor Dr Aznan bin Hasan	**150**	**24**	**2**	**176**
Encik Shariffuddin bin Khalid	**150**	**24**	**-**	**174**
Dato' Azmi bin Mohd Ali[2]	**22**	**4**	**-**	**26**
Total directors' remuneration	**1,004**	**158**	**91**	**1,253**

[1] Retired on 31 May 2020

[2] Appointed on 9 November 2020

32. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration of the directors are as follows (cont'd.):

	Fees RM'000	Meeting allowances RM'000	Benefits-in-kind RM'000	Total RM'000
31.12.2019				
Non-executive directors:				
Encik Zainal Abidin bin Jamal	230	24	50	304
Dato' Dr Muhammad Afifi al-Akiti[1]	111	20	1	132
Encik Dali bin Sardar	183	52	8	243
Encik Nor Hizam bin Hashim[2]	80	26	8	114
Datuk Mohd Anwar bin Yahya	162	36	13	211
Dato' Zulkiflee Abbas bin Abdul Hamid[3]	115	20	7	142
Associate Professor Dr Aznan bin Hasan[3]	103	14	5	122
Encik Shariffuddin bin Khalid[4]	83	12	-	95
Total directors' remuneration	1,067	204	92	1,363

1 Retired on 14 August 2019
2 Retired on 12 June 2019
3 Appointed on 25 April 2019
4 Appointed on 13 June 2019

The total remuneration of the Shariah Committee members are as follows:

	Fees RM'000	Meeting allowances RM'000	Total RM'000
31.12.2020			
Dr. Aznan bin Hasan	**120**	**60**	**180**
Dr. Mohamed Fairooz bin Abdul Khir	**62**	**36**	**98**
Ustaz Mohd Kamal bin Mokhtar	**100**	**60**	**160**
Dr. Oni Sahroni	**52**	**26**	**78**
Dr. Syahnaz binti Sulaiman	**52**	**30**	**82**
Dr. Akhtarzaite binti Abdul Aziz	**83**	**50**	**133**
Dr. Azrul Azlan bin Iskandar Mirza	**75**	**46**	**121**
Dr. Nik Abdul Rahim bin Nik Abdul Ghani	**31**	**24**	**55**
Total Shariah Committee remuneration	**575**	**332**	**907**

32. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration of the Shariah Committee members are as follows (cont'd.):

	Fees RM'000	Meeting allowances RM'000	Total RM'000
31.12.2019			
Dr. Aznan bin Hasan	120	56	176
Dr. Ahcene Lahsasna	33	14	47
Dr. Marjan binti Muhammad	83	46	129
Dr. Mohamed Fairooz bin Abdul Khir	100	56	156
Ustaz Mohd Kamal bin Mokhtar	100	56	156
Dr. Oni Sahroni	100	46	146
Dr. Syahnaz binti Sulaiman	100	56	156
Total Shariah Committee remuneration	636	330	966

33. Finance cost

	31.12.2020 RM'000	31.12.2019 RM'000
Subordinated sukuk	**91,751**	98,260
Capital securities	**49,636**	49,500
Term funding	**340,936**	268,862
	482,323	416,622

34. Taxation

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)
Malaysian income tax	**230,590**	792,062
Foreign income tax	**27**	75
	230,617	792,137
Over provision in prior period:		
Malaysian income tax	**(22,557)**	(42,576)
	208,060	749,561
Deferred tax (Note 18):		
Relating to origination and reversal of temporary differences	**270,826**	(1,915)
	478,886	747,646

34. Taxation (cont'd.)

Domestic current income tax is calculated at the statutory tax rate of 24% of the estimated chargeable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank is as follows:

	31.12.2020 RM'000	**31.12.2019 RM'000 (Restated)**
Profit before taxation	**2,003,182**	3,289,016
Taxation at Malaysian statutory tax rate of 24%	**480,764**	789,364
Foreign income tax	**27**	75
Tax exempted income	**(428,710)**	-
Expenses not deductible for tax purposes	**182,580**	6,137
Over provision of tax expense in prior years	**(22,557)**	(42,576)
Origination and reversal of temporary differences	**270,826**	(1,915)
Effect of zakat deduction	**(4,044)**	(3,439)
Tax expense for the financial year	**478,886**	747,646

35. Earnings per share ("EPS")

The basic and diluted EPS of the Bank are calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	31.12.2020	**31.12.2019 (Restated)**
Net profit for the financial year attributable to equity holder of the Bank (RM'000)	**1,511,048**	2,511,019
Weighted average number of ordinary shares in issue ('000)	**351,538**	338,910
Basic/diluted EPS (sen)	**429.8**	740.9

36. Dividends

	31.12.2020 RM'000	31.12.2019 RM'000
Final tax exempt (single-tier) dividend of RM4.32, on 338,910,000 ordinary shares in respect of the financial year ended 31 December 2019	**1,464,091**	-
Interim tax exempt (single-tier) dividend of RM3.09, on 338,910,000 ordinary shares in respect of the financial year ended 31 December 2019	**-**	1,047,232
Final tax exempt (single-tier) dividend of RM3.64, on 338,910,000 ordinary shares in respect of the financial year ended 31 December 2018	**-**	1,233,632
	1,464,091	2,280,864

At the forthcoming Annual General Meeting, a final tax-exempt (single-tier) dividend in respect of the current financial year ended 31 December 2020 of RM3.91 per share on 361,504,000 ordinary shares, amounting to a dividend payable of RM1,413,480,640 will be proposed for the shareholder's approval.

The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholder, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2021.

37. Significant related party transactions and balances

(a) The Bank's significant transactions and balances with related parties are as follows:

	31.12.2020 RM'000	31.12.2019 RM'000
Holding company		
Income:		
Financial assets purchased under resale agreements	**5,672**	-
Expenditure:		
Profit distributed to depositors	**1,047,521**	1,062,698
Finance cost	**465,521**	406,776
Shared service cost paid/payable to Maybank	**1,379,971**	1,298,097
Other expenses	**-**	1,378
	2,893,013	2,768,949

37. Significant related party transactions and balances (cont'd.)

(a) The Bank's significant transactions and balances with related parties are as follows (cont'd.):

	31.12.2020 RM'000	31.12.2019 RM'000
Related companies		
Income:		
Commission	**49,514**	55,543
Expenditure:		
Profit distributed to depositors	**89,041**	26,397
Information technology expenses*	**4,893**	3,080
Fees and brokerage*	**149**	130
General expenses	**2,701**	1,787
Shared service cost paid/payable to related company	**7,790**	-
	104,574	31,394

* Included in these expenses are services rendered in Malaysia.

(b) Included in the statement of financial position of the Bank are amounts due to and from holding company and related companies represented by the following:

	31.12.2020 RM'000	31.12.2019 RM'000
Holding company		
Amount due from:		
Current accounts and deposits	**154,701**	1,343,316
Financial assets purchased under resale agreements	**3,627,062**	-
Derivative assets	**351,416**	137,646
Others	**1,772,618**	3,096,001
	5,905,797	4,576,963
Amount due to:		
Current accounts and deposits	**36,009,288**	34,005,077
Derivative liabilities	**369,255**	123,837
Subordinated sukuk	**2,028,303**	2,028,311
Capital securities	**1,002,441**	1,002,170
Term funding	**10,895,058**	9,891,993
Other liabilities	**7,417**	-
	50,311,762	47,051,388

37. Significant related party transactions and balances (cont'd.)

(b) Included in the statement of financial position of the Bank are amounts due to and from holding company and related companies represented by the following (cont'd.):

	31.12.2020 RM'000	31.12.2019 RM'000
Related companies		
Amount due to:		
Fixed return investment deposits	**3,762,072**	688,408
Others	**8,496**	-
	3,770,568	688,408

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent parties.

(c) Key management personnel compensation

The number of shares awarded for ESGP shares to key management personnel is as follows:

	31.12.2020 '000	31.12.2019 '000
At 1 January	**208**	104
Awarded	**104**	104
At 31 December	**312**	208

Name	Year	Award date	Number of ESGP shares awarded '000
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	2020	30.09.2020	104
	2019	30.09.2019	104

37. Significant related party transactions and balances (cont'd.)

(d) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government-linked entity and a shareholder with significant influence on Maybank, with direct shareholding of 7.24% (2019: 7.80%) and indirect shareholding of 35.39% (2019: 34.42%) via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at 31 December 2020. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Maybank Group and the Bank.

All the transactions entered into by the Bank with the government-related entities are conducted in the ordinary course of the Bank's business on terms comparable to those with other entities that are not government-related. The Bank has established credit policies, pricing strategy and approval process for financing and advances, which are independent of whether the counterparties are government-related entities or not.

(i) Individually significant transactions and balances with PNB due to its size of transactions:

	31.12.2020 RM'000	**31.12.2019 RM'000**
Transactions during the financial year:		
Financing income	**198,797**	281,541
Balances as at reporting dates:		
Financing and advances	**3,551,198**	3,951,508

(ii) Collectively, but not individually, significant transactions

There was no collectively significant transactions with other government-related entities during the financial year ended 31 December 2020 and 31 December 2019.

37. Significant related party transactions and balances (cont'd.)

(e) Credit exposure arising from credit transactions with connected parties

	31.12.2020	**31.12.2019**
Outstanding credit exposure with connected parties (RM'000)	**7,655,809**	4,552,249
Percentage of outstanding credit exposure to connected parties as a proportion of total credit exposure	**3.5%**	2.0%
Percentage of outstanding credit exposure to connected parties which are non-performing or in default	**-**	**-**

The credit exposure above are derived based on paragraph 9.1 of the Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) 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;

(iii) Officers who are responsible for or have the 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;

(iv) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iii) 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;

(v) Any person for whom the persons listed in (i) to (iii) above is a guarantor; and

(vi) Subsidiary of or 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 financing commitments.

38. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank as at 31 December are as follows:

	31.12.2020			31.12.2019		
	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Contingent liabilities						
Direct credit substitutes	**2,832,337**	**2,786,746**	**2,258,338**	1,881,752	1,842,448	1,409,369
Certain transaction-related contingent items	**2,533,185**	**1,246,136**	**778,165**	3,381,084	1,669,027	1,166,710
Short-term self-liquidating trade-related contingencies	**162,041**	**34,164**	**15,170**	252,361	50,472	21,087
	5,527,563	**4,067,046**	**3,051,673**	5,515,197	3,561,947	2,597,166
Commitments						
Irrevocable commitments to extend credit:						
- maturity within one year	**27,288,508**	**1,388,834**	**261,485**	23,199,822	872,079	135,683
- maturity more than one year	**10,452,802**	**17,979,661**	**7,763,819**	9,856,695	11,998,105	4,523,695
	37,741,310	**19,368,495**	**8,025,304**	33,056,517	12,870,184	4,659,378
Miscellaneous commitments and contingencies	**86,280**	**-**	**-**	53,198	-	-
Total credit-related commitments and contingencies	**43,355,153**	**23,435,541**	**11,076,977**	38,624,912	16,432,131	7,256,544

38. Commitments and contingencies (cont'd.)

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions (cont'd.).

The risk-weighted exposures of the Bank as at 31 December are as follows (cont'd.):

	31.12.2020			31.12.2019		
	Full commitment RM'000	**Credit equivalent amount* RM'000**	**Risk weighted amount* RM'000**	**Full commitment RM'000**	**Credit equivalent amount* RM'000**	**Risk weighted amount* RM'000**
Derivative financial instruments						
Foreign exchange related contracts:						
- less than one year	**23,565,806**	**152,805**	**58,958**	16,182,347	218,387	131,094
- one year to less than five years	**3,571,063**	**158,246**	**123,372**	3,258,181	44,984	22,946
- more than five years	**2,316,798**	**185,877**	**145,433**	1,887,107	102,275	53,482
Profit rate related contracts:						
- less than one year	**80,340**	**80**	**24**	100,000	127	53
- one year to less than five years	**3,335,654**	**146,381**	**119,953**	3,563,781	68,230	95,954
- more than five years	**300,000**	**34,064**	**15,797**	360,000	-	-
Total treasury-related commitments and contingencies	**33,169,661**	**677,453**	**463,537**	25,351,416	434,003	303,529
Total commitments and contingencies	**76,524,814**	**24,112,994**	**11,540,514**	63,976,328	16,866,134	7,560,073

* The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors and risk-weights respectively as specified by Bank Negara Malaysia for regulatory capital adequacy purposes.

39. Financial risk management policies

(a) Financial risk management overview

Risk Management is a critical pillar of the Bank's operating model, complementing the other two pillars, which are business sectors and support sectors. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Bank.

The Management-level Risk Management Committees, which include the Group Executive Risk Committee ("Group ERC"), Group Non-Financial Risk Committee ("GNFRC"), Group Asset and Liability Management Committee ("Group ALCO") and Group Management Credit Committee ("GMCC"), are responsible for the management of all material risks within the Bank.

The Bank's approach to risk management is premised on the following set of building blocks as the foundation in driving strong risk management culture, practices and process:

(i) *Risk Culture* : Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management.

(ii) *Risk Coverage* : The Bank must determine its business strategy; its goals and objectives, and assesses the risk implied in that strategy before it can articulate its risk appetite.

(iii) *Risk Appetite* : The risk appetite defines the level of risk that the Bank is willing to assume within its risk capacity.

(iv) *Risk Response* : Selection of the appropriate risk response is imperative to align the risks with Bank's risk tolerance and risk appetite.

(v) *Governance and Risk Oversight* : There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.

(vi) *Risk Management Practices and Processes* : Robust risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Bank.

(vii) *Stress Test* : Stress testing should be used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on the Bank's exposure.

(viii) *Resources and System Infrastructure* : Ensure sufficient resources, infrastructure and techniques are established to enable effective risk management.

39. Financial risk management policies (cont'd.)

(b) Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this note. It should be read in conjunction with the summary of significant accounting policies.

- The Bank's definition and assessment of default and cure (Note 39(b)(i)).
- An explanation of the Bank's internal grading system (Note 39(e)(5)).
- How the Bank defines, calculates and monitors the probability of default, exposure at default and loss given default (Note 39(e)(1)).
- When the Bank considers there has been a significant increase in credit risk of an exposure (Note 39(b)(ii)).
- The Bank's policy of segmenting financial assets where ECL is assessed on a collective basis (Note 39(b)(iii)).
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Note 2.2(i)(d)(i)).

(i) Definition of default and cure

The Bank considers a financial instruments defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when:

- Principal or profit or both are past due for more than 90 days; or
- Account less than 90 days past due which exhibit indications of credit weaknesses; or
- Impaired financing and advances have been rescheduled and restructured, the financing and advances will continue to be classified as impaired until repayments based on rescheduled or restructured terms have been observed continuously for a period of six (6) months; or
- Default occurs for repayments scheduled on intervals of three (3) months or longer.

The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

39. Financial risk management policies (cont'd.)

(b) Impairment assessment (cont'd.)

(i) Definition of default and cure (cont'd.)

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- significant deterioration in customer's credit rating from initial recognition or last reviewed date
- breach of covenant not waived by the Bank
- customer is insolvent
- it is becoming probable that the customer will enter bankruptcy
- customer’s listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Bank’s policy to consider a financial instrument as ‘cured’ and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated indicators at the time of the cure, and the asset no longer showing significant increase in credit risk compared to initial recognition.

(ii) Significant increase in credit risk

The Bank continuously monitors all financial assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained in Note 39(b)(i) are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly.

When estimating ECL on a collective basis for a group of similar assets (as set out in Note 39(b)(iii)), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

39. Financial risk management policies (cont'd.)

(b) Impairment assessment (cont'd.)

(iii) Grouping financial assets measured on a collective basis

As explained in Note 2.2(i)(d)(ii), depending on the factors below, the Bank calculates ECL either on a collective or an individual basis.

Financial assets subject to ECL that have been assessed individually but for which no impairment is required and all individually insignificant exposure are then assessed collectively, in groups of assets with similar credit risk characteristics.

The Bank groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the financial assets.

(c) Analysis of inputs to the ECL models under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.2 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions; in which the macroeconomic factors are regularly monitored as part of the normal credit risk management of the Bank, including the ongoing COVID-19 developments. To ensure completeness and accuracy, the Bank obtained the data used from Maybank Group Economist, Maybank Kim Eng, including determining the weights attributable to the multiple scenarios as at every year end to apply on next financial year's ECL computations.

The following table shows the forecast of the key forward-looking macroeconomic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2020 and 31 December 2019. The figures for “Subsequent years” represent a long-term average and the same are applied for each scenario.

31 December 2020

Key Variables	ECL Scenario	Assigned Probabilities	2020	2021	2022	2023	2024	Subsequent years
Real GDP (%)	Base case	60	(5.4)	5.1	5.0	5.0	5.0	5.0
	Upside	10	(5.0)	5.5	5.5	5.5	5.5	5.5
	Downside	30	(6.4)	4.0	4.5	4.5	4.5	4.5
Property Price Index (%)	Base case	60	(4.3)	-	0.5	1.5	1.5	1.5
	Upside	10	(3.0)	1.0	2.0	2.0	2.0	2.0
	Downside	30	(5.0)	(0.5)	-	1.0	1.0	1.0
Overnight Policy Rate (%)	Base case	60	1.8	1.8	2.0	2.3	2.5	2.5
	Upside	10	1.8	2.0	2.3	2.5	2.8	2.8
	Downside	30	1.3	1.3	1.5	1.8	2.0	2.0
Unemployment Rate (%)	Base case	60	4.8	4.3	4.0	3.8	3.5	3.5
	Upside	10	4.5	4.0	3.5	3.5	3.0	3.0
	Downside	30	5.5	5.0	4.5	4.5	4.0	4.0

39. Financial risk management policies (cont'd.)

(c) Analysis of inputs to the ECL models under multiple economic scenarios (cont'd.)

31 December 2019

Key Variables	ECL Scenario	Assigned Probabilities	2019	2020	2021	2022	2023	Subsequent years
Real GDP (%)	Base case	60	4.8	4.9	4.9	4.9	4.9	4.9
	Upside	10	5.2	5.3	5.3	5.3	5.3	5.3
	Downside	30	4.0	4.1	4.2	4.1	4.1	4.1
Property Price Index (%)	Base case	60	2.5	2.5	2.5	2.5	2.5	2.5
	Upside	10	3.0	3.0	3.0	3.0	3.0	3.0
	Downside	30	1.5	1.5	1.5	1.5	1.5	1.5
Overnight Policy Rate (%)	Base case	60	3.3	3.3	3.3	3.3	3.3	3.3
	Upside	10	3.3	3.3	3.5	3.5	3.5	3.5
	Downside	30	3.0	3.0	3.0	3.0	3.0	3.0
Unemployment Rate (%)	Base case	60	3.4	3.4	3.3	3.3	3.3	3.3
	Upside	10	3.2	3.2	3.0	3.0	3.0	3.0
	Downside	30	3.5	3.5	3.4	3.4	3.4	3.4

39. Financial risk management policies (cont'd.)

(d) Financial instruments by category

31.12.2020	Fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	At amortised costs RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
Assets						
Cash and short-term funds	-	-	9,890,517	9,890,517	-	9,890,517
Financial assets purchased under resale agreements	-	-	3,625,611	3,625,611	-	3,625,611
Financial investments portfolio	-	18,453,139	16,381,007	34,834,146	-	34,834,146
Financing and advances	-	2,741,267	200,925,608	203,666,875	-	203,666,875
Derivative assets	385,303	-	-	385,303	-	385,303
Other assets	-	-	2,272,398	2,272,398	532,526	2,804,924
Statutory deposit with Bank Negara Malaysia	-	-	12,591	12,591	-	12,591
Property, plant and equipment	-	-	-	-	979	979
Right-of-use assets	-	-	-	-	9,901	9,901
TOTAL ASSETS	385,303	21,194,406	233,107,732	254,687,441	543,406	255,230,847

39. Financial risk management policies (cont'd.)

(d) Financial instruments by category (cont'd.)

31.12.2020	Fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Customers' funding:					
- Deposits from customers	-	165,268,246	165,268,246	-	165,268,246
- Investment accounts of customers	-	23,840,796	23,840,796	-	23,840,796
Deposits and placements of banks and other financial institutions	-	38,770,852	38,770,852	-	38,770,852
Bills and acceptances payable	-	38,086	38,086	-	38,086
Derivative liabilities	656,302	-	656,302	-	656,302
Other liabilities	-	321,695	321,695	17,385	339,080
Provision for zakat	-	-	-	14,373	14,373
Term funding	-	10,895,058	10,895,058	-	10,895,058
Subordinated sukuk	-	2,028,303	2,028,303	-	2,028,303
Capital securities	-	1,002,441	1,002,441	-	1,002,441
Deferred tax liabilities	-	-	-	449,812	449,812
TOTAL LIABILITIES	656,302	242,165,477	242,821,779	481,570	243,303,349

39. Financial risk management policies (cont'd.)

(d) Financial instruments by category (cont'd.)

31.12.2019	Fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	At amortised costs RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
Assets						
Cash and short-term funds	-	-	21,703,239	21,703,239	-	21,703,239
Financial investments portfolio	383,194	15,292,520	9,671,676	25,347,390	-	25,347,390
Financing and advances	-	440,383	189,322,591	189,762,974	-	189,762,974
Derivative assets	200,414	-	-	200,414	-	200,414
Other assets	-	-	3,364,947	3,364,947	376,725	3,741,672
Statutory deposit with Bank Negara Malaysia	-	-	4,242,037	4,242,037	-	4,242,037
Property, plant and equipment	-	-	-	-	1,458	1,458
Right-of-use assets	-	-	-	-	12,966	12,966
TOTAL ASSETS	583,608	15,732,903	228,304,490	244,621,001	391,149	245,012,150

39. Financial risk management policies (cont'd.)

(d) Financial instruments by category (cont'd.)

31.12.2019	Fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Customers' funding:					
- Deposits from customers	-	161,039,140	161,039,140	-	161,039,140
- Investment accounts of customers	-	20,737,670	20,737,670	-	20,737,670
Deposits and placements of banks and other financial institutions	-	38,827,556	38,827,556	-	38,827,556
Bills and acceptances payable	-	137,893	137,893	-	137,893
Derivative liabilities	221,674	-	221,674	-	221,674
Other liabilities	-	147,864	147,864	23,101	170,965
Provision for zakat	-	-	-	30,304	30,304
Term funding	-	9,891,993	9,891,993	-	9,891,993
Subordinated sukuk	-	2,028,311	2,028,311	-	2,028,311
Capital securities	-	1,002,170	1,002,170	-	1,002,170
Deferred tax liabilities	-	-	-	83,002	83,002
TOTAL LIABILITIES	221,674	233,812,597	234,034,271	136,407	234,170,678

39. Financial risk management policies (cont'd.)

(e) Credit risk management

1. Credit risk management overview

Credit risk definition

Credit risk is the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.

Management of credit risk

Corporate and institutional credit risks are assessed by business units and evaluated and approved by an independent party within the Bank, where each customer is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors including customer's financial position, future cash flows, types of facilities and securities offered.

Reviews are conducted at least once a year with updated information on customer's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken when the accounts show signs of credit deterioration.

Retail credit exposures are managed on a programme basis. Credit programmes are assessed jointly between credit risk and business units. Reviews on credit programmes are conducted at least once a year to assess the performance of the portfolios.

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments as required by contract for treasury-related activities. Counterparty credit risk originates from the Bank's financing business, investment and treasury activities that impact the Bank's trading and banking books through dealings in foreign exchange, money market instruments, fixed income securities, commodities, equities and over-the-counter ("OTC") derivatives. The primary distinguishing feature of counterparty credit risk compared to other forms of credit risk is that the future value of the underlying contract is uncertain, and may be either positive or negative depending on the value of all future cash flows.

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Management of credit risk (cont'd.)

Counterparty credit risk exposures are managed via counterparty limits either on a single counterparty basis or counterparty group basis that adheres to BNM's Single Counterparty Exposure Limits. The Bank actively monitors and manages its exposure to ensure that exposures to a single counterparty or a group of connected counterparties are within prudent limits at all times. Counterparty risk exposures which may be materially affected by market risk events are identified, reviewed and acted upon by management and highlighted to the appropriate risk committees.

For counterparty risk exposures (on-balance sheet), the Bank employs risk treatments that are in accordance with BNM Guidelines and Basel II requirements. While for off-balance sheet exposures, the Bank measures the credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Bank’s credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM Guidelines and Basel II requirements.

The Bank wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently throughout the Bank.

In managing large exposures and to avoid undue concentration of credit risk in its financing portfolio, the Bank has emplaced, amongst others, the following limits and related financing guidelines, for:

- Countries;
- Business segments;
- Economic sectors;
- Single customer groups;
- Banks & non-bank financial institutions;
- Counterparties; and
- Collaterals.

Reviews of the said limits and related financing guidelines are undertaken on a periodic basis, whereupon any emerging concentration risks are addressed accordingly. Any exception to the limits and financing guidelines would be subject to approvals from higher credit authorities.

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Management of credit risk (cont'd.)

The Bank has dedicated teams at Head Office and Regional Offices to effectively manage vulnerable corporate, institutional and consumer credits of the Bank. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to accelerate remedial action.

The Bank's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. Bank Credit Risk is responsible for developing, enhancing and communicating an effective and consistent credit risk management policies, tools and methodologies across the Bank to ensure appropriate standards are in place to identify, measure, control, monitor and report such risks.

In view that authority limits are directly related to the risk levels of the customer and transaction, a Risk-Based Authority Limit structure was implemented based on the Expected Loss ("EL") principles and internally developed Credit Risk Rating System ("CRRS").

Credit risk measurement

The Bank's retail portfolios are under Basel II Advanced Internal Ratings-Based ("AIRB") Approach. This approach calls for more extensive reliance on the Bank's own internal experience whereby estimations for all the three components of Risk-Weighted Assets ("RWA") calculation namely Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") are based on its own historical data. Separate PD, EAD and LGD statistical models were developed at the respective retail portfolio level; each model covering customer with fundamentally similar risk profiles in a portfolio. The estimates derived from the models are used as input for RWA calculations.

For non-retail portfolios, the Bank uses internal credit models for evaluating the majority of its credit risk exposures. For corporate and bank portfolios, the Bank has adopted the Foundation Internal Ratings-Based ("FIRB") approach, which allows the Bank to use its internal PD estimates to determine an asset risk weighting and apply supervisory estimates for LGD and EAD.

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Credit risk measurement (cont'd.)

CRRS is developed to allow the Bank to identify, assess and measure corporate, commercial and small business customers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Bank's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance to Basel II. The EL principles employed in the Bank enables the calculation of EL using PD estimates (facilitated by the CRRS), LGD and EAD.

To account for differences in risk due to industry and size, CRRS is designed to rate all corporate and commercial customers by their respective industry segments (e.g. manufacturing, services, trading, contractors, property developers (single project), property investors (single property)).

2. Maximum exposure to credit risk

The following analysis represents the Bank's maximum exposure to credit risk from on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

	Maximum Exposure	
	31.12.2020	**31.12.2019**
	RM'000	**RM'000**
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	**9,890,517**	21,703,239
Financial assets purchased under resale agreements	**3,625,611**	-
Financial investments portfolio*	**34,832,896**	25,346,140
Financing and advances	**203,666,875**	189,762,974
Derivative assets	**385,303**	200,414
Other assets	**2,272,398**	3,364,947
Statutory deposit with Bank Negara Malaysia	**12,591**	4,242,037
	254,686,191	244,619,751

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

2. Maximum exposure to credit risk (cont'd.)

	Maximum Exposure	
	31.12.2020	**31.12.2019**
	RM'000	**RM'000**
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**2,832,337**	1,881,752
Certain transaction-related contingent items	**2,533,185**	3,381,084
Short-term self-liquidating trade-related contingencies	**162,041**	252,361
Irrevocable commitments to extend credit	**37,741,310**	33,056,517
Miscellaneous	**86,280**	53,198
	43,355,153	38,624,912
Total maximum credit risk exposure	**298,041,344**	283,244,663

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

Credit exposure for on-balance sheet financial assets that are not subject to impairment:

	31.12.2020	**31.12.2019**
	RM'000	**RM'000**
Financial assets at fair value through profit & loss		
Investments	**-**	383,194
Derivatives	**385,303**	200,414
	385,303	583,608

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing and advances as at 31 December 2020 for the Bank is at 83% (31 December 2019: 82%). The financial effect of collateral held for other financial assets is not significant.

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile

Concentration risk is the risk that can materialise from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector. The Bank analyses the concentration credit risk by geographic purpose and industry segment as follows:

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows:

	Cash and short-term funds RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
31.12.2020									
Malaysia	**9,890,517**	**3,625,611**	**34,832,896**	**203,666,875**	**385,303**	**2,272,036**	**12,591**	**254,685,829**	**43,355,153**
Dubai	**-**	**-**	**-**	**-**	**-**	**362**	**-**	**362**	**-**
	9,890,517	**3,625,611**	**34,832,896**	**203,666,875**	**385,303**	**2,272,398**	**12,591**	**254,686,191**	**43,355,153**
31.12.2019									
Malaysia	21,703,239	-	25,346,140	189,762,974	200,414	3,364,671	4,242,037	244,619,475	38,624,912
Dubai	-	-	-	-	-	276	-	276	-
	21,703,239	-	25,346,140	189,762,974	200,414	3,364,947	4,242,037	244,619,751	38,624,912

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows:

31.12.2020	Cash and short-term funds RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	352,534	6,846,999	8,580	-	-	7,208,113	606,176
Mining and quarrying	-	-	1,636,343	423,364	-	-	-	2,059,707	147,663
Manufacturing	-	-	1,940,983	9,063,620	6,998	-	-	11,011,601	2,225,417
Construction	-	-	759,366	12,598,825	-	-	-	13,358,191	2,892,042
Electricity, gas and water supply	-	-	98,262	774,030	46,076	-	-	918,368	580,763
Wholesale, retail trade, restaurants and hotels	-	-	647,321	10,876,525	63	-	-	11,523,909	1,476,772
Finance, insurance, real estate and business	9,890,517	3,625,611	27,519,800	29,014,612	323,502	2,272,398	12,591	72,659,031	20,564,408
Transport, storage and communication	-	-	1,878,287	5,043,345	3	-	-	6,921,635	1,413,979
Education, health and others	-	-	-	1,607,352	-	-	-	1,607,352	189,011
Household	-	-	-	127,372,682	-	-	-	127,372,682	9,518,897
Others	-	-	-	45,521	81	-	-	45,602	3,740,025
	9,890,517	3,625,611	34,832,896	203,666,875	385,303	2,272,398	12,591	254,686,191	43,355,153

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

31.12.2019	Cash and short-term funds RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	25,617	6,340,394	143	-	-	6,366,154	532,149
Mining and quarrying	-	-	-	384,888	-	-	-	384,888	163,423
Manufacturing	-	-	-	7,066,692	17,114	-	-	7,083,806	1,283,909
Construction	-	-	15,375	14,234,592	-	-	-	14,249,967	3,580,007
Electricity, gas and water supply	-	-	2,479,763	537,345	24,696	-	-	3,041,804	133,108
Wholesale, retail trade, restaurants and hotels	-	-	2,227,132	10,452,297	61	-	-	12,679,490	1,193,009
Finance, insurance, real estate and business	21,703,239	-	18,215,984	28,026,295	156,352	3,364,947	4,242,037	75,708,854	18,163,419
Transport, storage and communication	-	-	1,486,641	5,145,644	2,048	-	-	6,634,333	661,212
Education, health and others	-	-	158,106	1,719,110	-	-	-	1,877,216	168,665
Household	-	-	-	115,855,426	-	-	-	115,855,426	8,699,974
Others	-	-	737,522	291	-	-	-	737,813	4,046,037
	21,703,239	-	25,346,140	189,762,974	200,414	3,364,947	4,242,037	244,619,751	38,624,912

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

4. Collateral

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

- For house financing - charges over residential properties;
- For auto financing - ownership claims over the vehicle financed;
- For share margin financing - pledges over securities from listed exchange;
- For commercial property financing - charges over the properties financed;
- For other financing - charges over business assets such as premises, inventories, trade receivable or deposits; and
- For derivatives - cash and securities collateral for over-the-counter ("OTC") traded derivatives.

5. Credit quality of financial assets

Credit classification for financial assets

The four (4) risks categories are set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Bank's financing. These classifications encompass a range of more granular, internal gradings assigned to financing and advances whilst external gradings are applied to financial investments. There is no direct correlation between the internal and external ratings at a granular level, except to the extent that each falls within a single credit quality band.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 - 5	AAA to BBB+	AAA to AA1
Low	6 - 10	BBB+ to BB+	AA1 to A3
Medium	11 - 15	BB+ to B+	A3 to BB1
High	16 - 21	B+ to C	BB1 to C

39. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

Credit classification for financial assets (cont'd.)

Risk categories are as described below:

Very low:	Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
Low:	Obligors rated in this category have a good capacity to meet financial commitments with very low credit risk.
Medium:	Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
High:	Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ default:	Obligors with objective evidence of impairment as a result of one or more events that has an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(i)(d).
Unrated:	Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of rating's models.
Sovereign:	Refer to obligors which are governments.

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts.

Financial investments - at FVOCI

31.12.2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**14,532,100**	**-**	**-**	**14,532,100**
Low	**2,100,978**	**133,667**	**-**	**2,234,645**
Medium	**1,628,600**	**-**	**-**	**1,628,600**
High	**56,544**	**-**	**-**	**56,544**
Carrying amount - fair value	**18,318,222**	**133,667**	**-**	**18,451,889**
ECL	**(2,812)**	**(551)**	**-**	**(3,363)**

31.12.2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	12,427,680	-	-	12,427,680
Low	2,420,008	-	-	2,420,008
Medium	387,777	-	-	387,777
High	55,805	-	-	55,805
Carrying amount - fair value	15,291,270	-	-	15,291,270
ECL	(1,866)	-	-	(1,866)

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financial investments - at amortised cost

31.12.2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**6,084,499**	**-**	**-**	**6,084,499**
Low	**5,350,404**	**40,928**	**-**	**5,391,332**
Medium	**3,568,445**	**-**	**-**	**3,568,445**
High	**188,135**	**1,418,240**	**-**	**1,606,375**
	15,191,483	**1,459,168**	**-**	**16,650,651**
Less:				
ECL	**(38,379)**	**(231,265)**	**-**	**(269,644)**
Net carrying amount	**15,153,104**	**1,227,903**	**-**	**16,381,007**

31.12.2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	2,466,051	-	-	2,466,051
Low	4,484,467	-	-	4,484,467
Medium	2,739,153	-	-	2,739,153
	9,689,671	-	-	9,689,671
Less:				
ECL	(17,995)	-	-	(17,995)
Net carrying amount	9,671,676	-	-	9,671,676

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing and advances - at FVOCI

31.12.2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**1,829,200**	**-**	**-**	**1,829,200**
Low	**121,415**	**125,000**	**-**	**246,415**
Medium	**557,193**	**-**	**-**	**557,193**
Unrated	**108,459**	**-**	**-**	**108,459**
Carrying amount - fair value	**2,616,267**	**125,000**	**-**	**2,741,267**
ECL	**(1,662)**	**(2,494)**	**-**	**(4,156)**

31.12.2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Low	315,383	-	-	315,383
Medium	-	125,000	-	125,000
Carrying amount - fair value	315,383	125,000	-	440,383
ECL	(523)	(2,378)	-	(2,901)

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing and advances - at amortised cost

31.12.2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**85,480,276**	**56,218**	**-**	**85,536,494**
Low	**73,364,738**	**4,318,147**	**-**	**77,682,885**
Medium	**17,874,122**	**10,762,253**	**-**	**28,636,375**
High	**1,094,244**	**4,615,580**	**-**	**5,709,824**
Unrated	**3,674,601**	**271,989**	**-**	**3,946,590**
Impaired	**-**	**-**	**2,452,406**	**2,452,406**
	181,487,981	**20,024,187**	**2,452,406**	**203,964,574**
Less:				
ECL	**(574,213)**	**(1,209,931)**	**(1,254,822)**	**(3,038,966)**
Net carrying amount	**180,913,768**	**18,814,256**	**1,197,584**	**200,925,608**

31.12.2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	70,394,611	201,986	-	70,596,597
Low	63,046,080	3,804,096	-	66,850,176
Medium	27,447,150	8,492,685	-	35,939,835
High	834,497	3,703,495	-	4,537,992
Unrated	10,149,340	373,808	-	10,523,148
Impaired	-	-	3,115,266	3,115,266
	171,871,678	16,576,070	3,115,266	191,563,014
Less:				
ECL	(371,029)	(616,576)	(1,252,818)	(2,240,423)
Net carrying amount	171,500,649	15,959,494	1,862,448	189,322,591

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Cash and short-term funds

	Stage 1	Stage 2	Stage 3	
31.12.2020	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Sovereign	**9,735,816**	**-**	**-**	**9,735,816**
Low	**154,701**	**-**	**-**	**154,701**
Net carrying amount	**9,890,517**	**-**	**-**	**9,890,517**

	Stage 1	Stage 2	Stage 3	
31.12.2019	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Sovereign	19,211,706	-	-	19,211,706
Low	2,390,946	-	-	2,390,946
Medium	100,587	-	-	100,587
Net carrying amount	21,703,239	-	-	21,703,239

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financial assets purchased under resale agreements

	Stage 1	Stage 2	Stage 3	
31.12.2020	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Low	**3,627,063**	**-**	**-**	**3,627,063**
	3,627,063	**-**	**-**	**3,627,063**
Less:				
ECL	**(1,452)**	**-**	**-**	**(1,452)**
Net carrying amount	**3,625,611**	**-**	**-**	**3,625,611**

Statutory deposit with Bank Negara Malaysia

	Stage 1	Stage 2	Stage 3	
31.12.2020	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Sovereign	**12,591**	**-**	**-**	**12,591**
Net carrying amount	**12,591**	**-**	**-**	**12,591**

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Statutory deposit with Bank Negara Malaysia (cont'd.)

	Stage 1	Stage 2	Stage 3	
31.12.2019	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Sovereign	4,242,037	-	-	4,242,037
Net carrying amount	4,242,037	-	-	4,242,037

Other assets

	Stage 1	Stage 2	Stage 3	
31.12.2020	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Unrated	**2,272,398**	**-**	**-**	**2,272,398**
Net carrying amount	**2,272,398**	**-**	**-**	**2,272,398**

	Stage 1	Stage 2	Stage 3	
31.12.2019	**12-month ECL RM'000**	**Lifetime ECL not credit impaired RM'000**	**Lifetime ECL credit impaired RM'000**	**Total RM'000**
Unrated	3,364,947	-	-	3,364,947
Net carrying amount	3,364,947	-	-	3,364,947

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing commitments

31.12.2020	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**636,592**	**719**	**-**	**637,311**
Low	**678,516**	**99,307**	**-**	**777,823**
Medium	**227,344**	**651,391**	**-**	**878,735**
High	**633,253**	**23,625**	**-**	**656,878**
Unrated	**89,906**	**4,492**	**-**	**94,398**
Impaired	**-**	**-**	**637**	**637**
	2,265,611	**779,534**	**637**	**3,045,782**
Less:				
ECL	**(26,366)**	**(9,592)**	**(383)**	**(36,341)**
Net carrying amount	**2,239,245**	**769,942**	**254**	**3,009,441**

31.12.2019	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	185,429	800	-	186,229
Low	-	194	-	194
Medium	1,900,184	279,315	-	2,179,499
Impaired	-	-	147	147
	2,085,613	280,309	147	2,366,069
Less:				
ECL	(20,003)	(4,541)	(2,138)	(26,682)
Net carrying amount	2,065,610	275,768	(1,991)	2,339,387

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following table sets out information about the credit quality of financial assets measured at FVTPL:

31.12.2019	Financial investments RM'000
At FVTPL	
Very Low	383,194
Carrying amount - fair value	383,194

39. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

6. Credit quality of impaired financial assets

(i) Impaired financial assets analysed by geography are as follows:

	Financing and advances	
	31.12.2020	**31.12.2019**
	RM'000	**RM'000**
Malaysia	**2,452,406**	3,115,266

(ii) Impaired financial assets analysed by industry sectors are as follows:

	Financing and advances	
	31.12.2020	**31.12.2019**
	RM'000	**RM'000**
Agriculture	**869,673**	872,318
Mining and quarrying	**1,944**	281,135
Manufacturing	**104,342**	139,489
Construction	**93,180**	281,542
Electricity, gas and water supply	**123,733**	53,891
Wholesale, retail trade, restaurants and hotels	**150,467**	182,210
Finance, insurance, real estate and business	**296,994**	316,797
Transport, storage and communication	**85,314**	372,598
Education, health and others	**11,245**	29,133
Household	**715,512**	586,152
Others	**2**	1
	2,452,406	3,115,266

39. Financial risk management policies (cont'd.)

(f) Market risk management

1. Market risk management overview

Market risk is defined as the risk of loss or adverse impact on earnings or capital arising from fluctuations of market rates or prices such as profit rates, foreign exchange rates, commodity prices and equity prices.

2. Market risk management

Management of trading activities

The Bank's traded market risk exposures are primarily from proprietary trading, client servicing and market making. The risk measurement techniques employed by the Bank comprise both quantitative and qualitative measures.

Value at Risk ("VaR") measures the potential loss of value resulting from market movements over a specified period of time within a specified probability of occurrence under normal business situations. The method adopted is based on historical simulation, at a 99.2% confidence level using a 1-day holding period. The VaR model is back tested regularly to evaluate its performance and accuracy. Also, the Bank computes a Stressed VaR based on a 1-day holding period to measure the VaR arising from market movements over a previously identified stress period.

Besides VaR, the Bank utilises other non-statistical risk measures, such as exposure to a one basis point increase in yield ("PV01") for managing portfolio sensitivity to market profit rate movements, net open position ("NOP") limit for managing foreign currency exposure and Greek limits for controlling options risk. These measures provide granular information on the Bank's market risk exposures and are used for control and monitoring purposes.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

2. Market risk management (cont'd.)

Management and measurement of Profit Rate Risk ("PRR")/Rate of Return Risk ("RoR") in the banking book

The Bank emphasises the importance of managing PRR/RoR in the banking book as most of the balance sheet items of the Bank generate profit income and expense, which are indexed to profit rates. Volatility of earnings can pose a threat to the Bank's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank's overall capital adequacy.

PRR/RoR in the banking book encompasses repricing risk, yield curve risk and basis risk arising from movement in profit rates. The objective of the Bank's PRR/RoR in the banking book framework is to ensure that all PRR/RoR in the banking book is managed within its risk appetite.

PRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

- Repricing Gap Analysis
- Economic VaR
- Earnings at Risk

3. Profit rate risk

The Bank is exposed to various risk associated with the effects of fluctuations in the prevailing levels of market yield/profit rate on the financial position and cash flows. Yield/profit rate risk is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ("ALCO") to protect total net profit income from changes in market profit rates.

Interbank offered rates ("IBOR"s) reform

London Inter-bank Offered Rate ("LIBOR") which has been widely used in the global financial markets, would be discontinued by end-2021 and be replaced by risk-free rates ("RFR"s) as part of the global reform of benchmark profit rate. The transition from LIBOR to RFRs will have significant impact on the Bank arising from legal implications for existing derivatives and financing contract referenced to LIBOR, adjustment to accounting and valuation approaches, and system recalibration and reconfiguration. In June 2019, Maybank Group set up the LIBOR Transition Project Steering Committee ("PSC") , which consists of senior leaders from various functions across the Group including Legal, Finance, Operations, Technology, Risk and Compliance, to address the Bank's readiness for the IBOR reform.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

Interbank offered rates ("IBOR"s) reformed (cont'd.)

Since the establishment of the PSC, Maybank Group has been planning and laying the foundations to ensure a smooth LIBOR transition within the organisation and for its clients. These efforts include reviewing affected legal contracts, staff training, client engagement and ensuring systems and operational readiness to offer RFR products. Maybank Group actively monitors the developments in the industry in order to align itself to global market practices. The Board is updated on the progress of Maybank Group's LIBOR transition on a quarterly basis.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;

- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;

- Operational risk arising from changes to the Bank’s IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available;

- Accounting risk if the Bank’s hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs; and

- Legal and compliance risk of litigation due to transition value transfer between the Bank and its customers and counterparties.

As at 31 December 2020, the Bank's exposure to significant IBORs subject to reform that have yet to transition to RFRs is RM12,429.7 million. These exposure will remains outstanding until the IBOR cease.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier.

31.12.2020	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds	9,890,474	-	-	-	-	43	-	9,890,517	1.75%
Financial assets purchased under resale agreements	3,625,611	-	-	-	-	-	-	3,625,611	1.77%
Financial investments at fair value through other comprehensive income	140,644	709,768	334,781	8,890,731	8,377,215	-	-	18,453,139	2.57%
Financial investments at amortised cost	-	307,023	457,874	7,758,351	7,857,759	-	-	16,381,007	4.04%
Financing and advances									
- Non-impaired	134,291,052	4,758,221	2,256,889	16,980,091	45,967,182	-	-	204,253,435	4.21%
- Impaired*	1,197,584	-	-	-	-	-	-	1,197,584	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	(1,784,144)	-	(1,784,144)	-
Derivative assets	-	-	-	-	-	-	385,303	385,303	-
Other assets	-	-	-	-	-	2,804,924	-	2,804,924	-
Other non-yield/profit sensitive balances	-	-	-	-	-	23,471	-	23,471	-
Total assets	149,145,365	5,775,012	3,049,544	33,629,173	62,202,156	1,044,294	385,303	255,230,847	

* This is arrived after deducting the stage 3 - lifetime ECL credit impaired from the gross impaired financing and advances.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

31.12.2020	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Customers' funding:									
- Deposits from customers	48,182,299	34,294,602	36,165,046	24,454,561	22,171,738	-	-	165,268,246	1.47%
- Investment accounts of customers	2,923,190	2,209,050	6,052,698	5,492,301	7,163,557	-	-	23,840,796	1.62%
Deposits and placements of banks and other financial institutions	8,130,196	5,254,551	6,304,950	5,584,670	13,158,136	338,349	-	38,770,852	2.71%
Bills and acceptances payable	-	-	-	-	-	38,086	-	38,086	-
Derivative liabilities	-	-	-	-	-	-	656,302	656,302	-
Term funding	-	2,989,539	6,959,579	-	945,940	-	-	10,895,058	2.38%
Subordinated sukuk	-	1,017,454	-	1,010,849	-	-	-	2,028,303	4.58%
Capital securities	-	-	-	1,002,441	-	-	-	1,002,441	4.95%
Other liabilities	1,161	-	-	-	-	337,919	-	339,080	0.42%
Other non-yield/profit sensitive balances	-	-	-	-	-	464,185	-	464,185	-
Total liabilities	59,236,846	45,765,196	55,482,273	37,544,822	43,439,371	1,178,539	656,302	243,303,349	
Shareholder's equity	-	-	-	-	-	11,927,498	-	11,927,498	
Total liabilities and shareholder's equity	59,236,846	45,765,196	55,482,273	37,544,822	43,439,371	13,106,037	656,302	255,230,847	
On-balance sheet yield/profit rate sensitivity gap	89,908,519	(39,990,184)	(52,432,729)	(3,915,649)	18,762,785	(12,061,743)	(270,999)		
Off-balance sheet yield/profit rate sensitivity gap	133	(904)	-	821	(50)	-	-		
Total profit rate sensitivity gap	89,908,652	(39,991,088)	(52,432,729)	(3,914,828)	18,762,735	(12,061,743)	(270,999)		
Cumulative yield/profit rate sensitivity gap	89,908,652	49,917,564	(2,515,165)	(6,429,993)	12,332,742	270,999	-		

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

31.12.2019	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds	21,703,237	-	-	-	-	2	-	21,703,239	2.83%
Financial investments at fair value through profit or loss	-	-	-	-	-	-	383,194	383,194	3.19%
Financial investments at fair value through other comprehensive income	1,198,172	-	2,304,793	5,376,080	6,413,475	-	-	15,292,520	3.92%
Financial investments at amortised cost	-	-	251,404	5,530,038	3,890,234	-	-	9,671,676	5.18%
Financing and advances									
- Non-impaired	137,623,935	4,804,276	1,995,019	13,205,039	31,259,862	-	-	188,888,131	5.16%
- Impaired*	1,862,448	-	-	-	-	-	-	1,862,448	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	(987,605)	-	(987,605)	-
Derivative assets	-	-	-	-	-	-	200,414	200,414	-
Other assets	-	-	-	-	-	3,741,672	-	3,741,672	-
Other non-yield/profit sensitive balances	-	-	-	-	-	4,256,461	-	4,256,461	-
Total assets	162,387,792	4,804,276	4,551,216	24,111,157	41,563,571	7,010,530	583,608	245,012,150	

* This is arrived after deducting the stage 3 - lifetime ECL credit impaired from the gross impaired financing and advances.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

31.12.2019	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Customers' funding:									
- Deposits from customers	55,296,998	34,871,824	42,658,754	11,835,855	16,375,709	-	-	161,039,140	2.71%
- Investment accounts of customers	3,779,986	1,542,473	5,589,442	4,260,753	5,565,016	-	-	20,737,670	2.51%
Deposits and placements of banks and other financial institutions	5,492,626	11,113,999	5,045,166	11,793,492	4,948,589	433,684	-	38,827,556	3.15%
Bills and acceptances payable	-	-	-	-	-	137,893	-	137,893	-
Derivative liabilities	-	-	-	-	-	-	221,674	221,674	-
Term funding	-	2,186,776	7,705,217	-	-	-	-	9,891,993	3.72%
Subordinated sukuk	-	-	-	2,028,311	-	-	-	2,028,311	4.58%
Capital securities	-	-	-	1,002,170	-	-	-	1,002,170	4.95%
Other liabilities	1,737	-	-	-	-	169,228	-	170,965	0.98%
Other non-yield/profit sensitive balances	-	-	-	-	-	113,306	-	113,306	-
Total liabilities	64,571,347	49,715,072	60,998,579	30,920,581	26,889,314	854,111	221,674	234,170,678	
Shareholder's equity	-	-	-	-	-	10,841,472	-	10,841,472	
Total liabilities and shareholder's equity	64,571,347	49,715,072	60,998,579	30,920,581	26,889,314	11,695,583	221,674	245,012,150	
On-balance sheet yield/profit rate sensitivity gap	97,816,445	(44,910,796)	(56,447,363)	(6,809,424)	14,674,257	(4,685,053)	361,934		
Off-balance sheet yield/profit rate sensitivity gap	(662)	(317)	-	769	210	-	-		
Total profit rate sensitivity gap	97,815,783	(44,911,113)	(56,447,363)	(6,808,655)	14,674,467	(4,685,053)	361,934		
Cumulative yield/profit rate sensitivity gap	97,815,783	52,904,670	(3,542,693)	(10,351,348)	4,323,119	(361,934)	-		

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

4. Sensitivity analysis for profit rate risk

The table below shows the sensitivity of the Bank's profit after tax to an up and down 100 basis point parallel rate shocks.

	31.12.2020			31.12.2019		
	Tax rate	RM'000 + 100 basis points	RM'000 - 100 basis points	Tax rate	RM'000 + 100 basis points	RM'000 - 100 basis points
Impact to profit before tax		**329,146**	**(329,146)**		354,933	(354,933)
Impact to profit after tax	**24%**	**250,151**	**(250,151)**	24%	269,749	(269,749)

Impact to profit after tax is measured using Earnings-at-Risk ("EaR") methodology which is simulated based on a set of standardised rate shock on the profit rate gap profile derived from the statement of financial position of the Bank. The profit rate gap is the mismatch of rate sensitive assets and rate sensitive liabilities taking consideration the earlier of repricing or remaining maturity, behavioural assumptions of certain indeterminate maturities products such as current and savings deposits, to reflect the actual sensitivity behaviour of these profit bearing liabilities.

Impact to revaluation reserve is assessed by applying up and down 100 basis points rate shock to the yield curve to model the impact on mark-to-market for financial investments at fair value through of comprehensive income ("FVOCI") portfolio:

	31.12.2020		31.12.2019	
	RM'000 + 100 basis points	RM'000 - 100 basis points	RM'000 + 100 basis points	RM'000 - 100 basis points
Impact to revaluation reserve for FVOCI	**(1,005,062)**	**1,005,062**	(765,324)	765,324

5. Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Bank's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Bank is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Bank controls its FX exposures by transacting in permissible currencies. It has an internal FX NOP to measure, control and monitor its FX risk and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

The tables below analyse the net foreign exchange positions of the Bank as at 31 December 2020 and 31 December 2019 by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar, United States Dollar, Indonesia Rupiah and Euro. The “others” foreign exchange risk include mainly exposure to Australian Dollar, Japanese Yen, Chinese Renminbi, Philippine Peso, Brunei Dollar and United Arab Emirates Dirham.

31.12.2020	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	9,735,816	62,326	-	19,029	16,220	-	-	57,126	9,890,517
Financial assets purchased under resale agreements	3,625,611	-	-	-	-	-	-	-	3,625,611
Financial investments portfolio*	34,032,289	-	-	-	801,857	-	-	-	34,834,146
Financing and advances	198,371,225	5,713	1,115,927	-	4,071,358	-	88,775	13,877	203,666,875
Derivative assets^	9,114,981	409	29,204	-	(8,756,913)	(255)	(1,988)	(135)	385,303
Other assets	1,338,711	1,542	246,749	875	1,179,727	902	(22,078)	58,496	2,804,924
Statutory deposit with Bank Negara Malaysia	12,591	-	-	-	-	-	-	-	12,591
Property, plant and equipment	-	-	-	-	-	-	-	979	979
Right-of-use assets	7,427	-	-	-	-	-	-	2,474	9,901
Total assets	256,238,651	69,990	1,391,880	19,904	(2,687,751)	647	64,709	132,817	255,230,847

* Financial investments portfolio consists of financial investments at fair value through other comprehensive income and financial investments at amortised cost.

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

31.12.2020	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	149,393,902	64,707	58,514	18,053	15,646,554	-	27,713	58,803	165,268,246
Investment accounts of customers	23,840,796	-	-	-	-	-	-	-	23,840,796
Deposits and placements of banks and other financial institutions	36,014,722	-	1,095,622	-	1,568,208	1,639	60,010	30,651	38,770,852
Bills and acceptances payable	38,086	-	-	-	-	-	-	-	38,086
Derivative liabilities^	20,845,675	2,482	(3,834)	2,009	(20,186,593)	(1,902)	(203)	(1,332)	656,302
Other liabilities	317,174	11,076	1,097	-	1,023	-	106	8,604	339,080
Provision for zakat	14,373	-	-	-	-	-	-	-	14,373
Term funding	10,895,058	-	-	-	-	-	-	-	10,895,058
Subordinated sukuk	2,028,303	-	-	-	-	-	-	-	2,028,303
Capital securities	1,002,441	-	-	-	-	-	-	-	1,002,441
Deferred tax liabilities	449,812	-	-	-	-	-	-	-	449,812
Total liabilities	244,840,342	78,265	1,151,399	20,062	(2,970,808)	(263)	87,626	96,726	243,303,349
On-balance sheet open position	11,398,309	(8,275)	240,481	(158)	283,057	910	(22,917)	36,091	11,927,498
Less: Derivative assets	(9,114,981)	(409)	(29,204)	-	8,756,913	255	1,988	135	(385,303)
Add: Derivative liabilities	20,845,675	2,482	(3,834)	2,009	(20,186,593)	(1,902)	(203)	(1,332)	656,302
Add: Net forward position	(11,730,694)	(2,073)	33,038	(2,009)	11,429,680	1,647	(1,785)	1,198	(270,998)
Net open position	11,398,309	(8,275)	240,481	(158)	283,057	910	(22,917)	36,092	11,927,499

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

31.12.2019	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	20,359,923	47,471	46,205	5,151	21,069	258	127,957	1,095,205	21,703,239
Financial investments portfolio*	25,287,397	-	-	-	59,993	-	-	-	25,347,390
Financing and advances	184,980,457	18,821	1,069,023	-	3,432,231	-	25,389	237,053	189,762,974
Derivative assets^	2,451,110	(107,020)	121,956	(69)	(2,489,257)	(30)	(5,002)	228,726	200,414
Other assets	2,158,085	1,850	106,035	749	2,074,068	958	(16,657)	(583,416)	3,741,672
Statutory deposit with Bank Negara Malaysia	4,242,037	-	-	-	-	-	-	-	4,242,037
Property, plant and equipment	-	-	-	-	-	-	-	1,458	1,458
Right-of-use assets	9,098	-	-	-	-	-	-	3,868	12,966
Total assets	239,488,107	(38,878)	1,343,219	5,831	3,098,104	1,186	131,687	982,894	245,012,150

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

31.12.2019	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	152,209,871	27,223	1,028,484	1,486	6,649,440	-	154,624	968,012	161,039,140
Investment accounts of customers	20,737,670						-	-	20,737,670
Deposits and placements of banks and other financial institutions	34,678,819	-	1,059,933	-	2,922,910	-	-	165,894	38,827,556
Bills and acceptances payable	137,893	-	-	-	-	-	-	-	137,893
Derivative liabilities^	8,371,067	(68,563)	(847,481)	4,094	(7,078,116)	-	(2,294)	(157,033)	221,674
Other liabilities	163,873	-	-	528	1,650	-	78	4,836	170,965
Provision for zakat	30,304	-	-	-	-	-	-	-	30,304
Term funding	9,891,993	-	-	-	-	-	-	-	9,891,993
Subordinated sukuk	2,028,311	-	-	-	-	-	-	-	2,028,311
Capital securities	1,002,170	-	-	-	-	-	-	-	1,002,170
Deferred tax liabilities	83,002	-	-	-	-	-	-	-	83,002
Total liabilities	229,334,973	(41,340)	1,240,936	6,108	2,495,884	-	152,408	981,709	234,170,678
On-balance sheet open position	10,153,134	2,462	102,283	(277)	602,220	1,186	(20,721)	1,185	10,841,472
Less: Derivative assets	(2,451,110)	107,020	(121,956)	69	2,489,257	30	5,002	(228,726)	(200,414)
Add: Derivative liabilities	8,371,067	(68,563)	(847,481)	4,094	(7,078,116)	-	(2,294)	(157,033)	221,674
Add: Net forward position	(5,919,957)	(38,457)	969,437	(4,163)	4,588,859	(30)	(2,708)	385,759	(21,260)
Net open position	10,153,134	2,462	102,283	(277)	602,220	1,186	(20,721)	1,185	10,841,472

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

39. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

6. Sensitivity analysis for foreign exchange risk

Foreign exchange risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Bank and the foreign currency positions. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank on their unhedged position are as follows:

	31.12.2020		31.12.2019	
	1% appreciation RM'000	1% depreciation RM'000	1% appreciation RM'000	1% depreciation RM'000
Impact to profit after tax	**(5,292)**	**5,292**	(6,883)	6,883

Interpretation of impact

The Bank measures the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency - Ringgit Malaysia ("RM"). The result implies that the Bank may be subject to additional translation (loss)/gain if the RM appreciated/depreciated against other currencies and vice versa.

(g) Liquidity risk management

1. Liquidity risk management overview

Liquidity risk management

Liquidity risk is defined as the risk of an adverse impact to the Bank's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The Bank has adopted BNM Liquidity Coverage Ratio Guidelines and other industry leading practices as a foundation to measure and manage its liquidity risk exposure. The Bank also uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and limits.

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

1. Liquidity risk management overview (cont'd.)

Liquidity risk management (cont'd.)

The Bank has a diversified liability structure to meet its funding requirements. The primary source of funding includes customer deposits, interbank deposits, debt securities, swap market, bank financing syndication and medium term funds. The Bank also initiates and implements strategic fund raising programmes as well as institutes standby lines with external parties on a need basis. Sources of fund providers are regularly reviewed to maintain a wide diversification by currency, provider, product and term thus minimising excessive funding concentration.

Management of liquidity risk

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flows;
- Managing short and long-term cash flows via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Bank levels to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure appropriate funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communications and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Recovery Plan ("RCP") testing to examine the effectiveness and robustness of the plans to avert any potential liquidity disasters affecting the Bank's liquidity soundness and financial solvency.

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2020 and 31 December 2019.

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM:

31.12.2020	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	9,890,517	-	-	-	-	-	-	-	9,890,517
Financial assets purchased under resale agreements	3,625,611	-	-	-	-	-	-	-	3,625,611
Financial investments portfolio*	140,644	1,016,791	326,291	466,364	9,927,017	6,722,065	16,233,724	1,250	34,834,146
Financing and advances	24,259,138	5,458,020	1,354,253	1,207,727	8,647,001	15,511,991	147,228,745	-	203,666,875
Derivative assets	42,542	105,856	59,426	1,503	75,554	58,301	42,121	-	385,303
Other financial assets	-	-	-	2,804,924	-	-	-	-	2,804,924
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	12,591	12,591
Property, plant and equipment	-	-	-	-	-	-	-	979	979
Right-of-use assets	-	-	-	-	-	-	-	9,901	9,901
Total assets	37,958,452	6,580,667	1,739,970	4,480,518	18,649,572	22,292,357	163,504,590	24,721	255,230,847

* Financial investments portfolio consists of financial investments at fair value through other comprehensive income and financial investments at amortised cost.

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

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

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2020 and 31 December 2019 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

31.12.2020	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities									
Customer funding:									
- Deposits from customers	93,071,031	32,116,225	18,761,534	11,127,134	10,167,779	24,543	-	-	165,268,246
- Investment accounts of customers	19,873,193	1,060,395	1,550,948	1,342,789	9,158	4,313	-	-	23,840,796
Deposits and placements of banks and other financial institutions	8,468,545	5,254,551	5,176,658	1,128,292	3,376,263	2,208,407	13,158,136	-	38,770,852
Bills and acceptances payable	38,086	-	-	-	-	-	-	-	38,086
Derivative liabilities	111,704	278,654	78,280	632	75,554	56,216	55,262	-	656,302
Other financial liabilities	1,418	514	772	329,952	4,027	2,397	-	-	339,080
Provision for zakat	-	-	-	-	-	-	-	14,373	14,373
Term funding	-	2,989,539	3,476,432	1,483,147	2,000,000	-	945,940	-	10,895,058
Subordinated sukuk	-	17,454	10,849	-	-	-	2,000,000	-	2,028,303
Capital securities	-	-	2,441	-	-	-	1,000,000	-	1,002,441
Deferred tax liabilities	-	-	-	-	-	-	-	449,812	449,812
Total liabilities	121,563,977	41,717,332	29,057,914	15,411,946	15,632,781	2,295,876	17,159,338	464,185	243,303,349
Net liquidity gap	(83,605,525)	(35,136,665)	(27,317,944)	(10,931,428)	3,016,791	19,996,481	146,345,252	(439,464)	11,927,498

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

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

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2020 and 31 December 2019 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

31.12.2019	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	21,703,239	-	-	-	-	-	-	-	21,703,239
Financial investments portfolio*	1,198,172	-	2,365,295	352,507	7,173,860	10,290,640	3,966,916		25,347,390
Financing and advances	25,975,996	4,880,284	1,440,307	946,360	7,591,380	15,312,994	133,615,653	-	189,762,974
Derivative assets	14,864	75,138	28,356	4,097	15,300	40,623	22,036	-	200,414
Other financial assets	-	-	-	3,741,672	-	-	-	-	3,741,672
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	4,242,037	4,242,037
Property, plant and equipment	-	-	-	-	-	-	-	1,458	1,458
Right-of-use assets	-	-	-	-	-	-	-	12,966	12,966
Total assets	48,892,271	4,955,422	3,833,958	5,044,636	14,780,540	25,644,257	137,604,605	4,256,461	245,012,150

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

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

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2020 and 31 December 2019 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

31.12.2019	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities									
Customer funding:									
- Deposits from customers	87,915,687	33,730,965	21,265,080	17,895,367	214,501	17,520	20	-	161,039,140
- Investment accounts of customers	15,897,860	1,020,809	2,168,113	1,633,073	15,045	2,770	-	-	20,737,670
Deposits and placements of banks and other financial institutions	5,821,876	11,112,193	4,520,309	523,914	7,969,586	4,082,026	4,797,652	-	38,827,556
Bills and acceptances payable	137,893	-	-	-	-	-	-	-	137,893
Derivative liabilities	17,209	100,719	32,495	3,984	15,292	37,443	14,532	-	221,674
Other financial liabilities	2,046	521	789	158,555	6,218	2,836	-	-	170,965
Provision for zakat	-	-	-	-	-	-	-	30,304	30,304
Term funding	-	2,186,775	2,763,275	2,938,721	2,003,222	-	-	-	9,891,993
Subordinated sukuk	-	-	-	-	-	-	2,028,311	-	2,028,311
Capital securities	-	-	-	-	-	-	1,002,170	-	1,002,170
Deferred tax liabilities	-	-	-	-	-	-	-	83,002	83,002
Total liabilities	109,792,571	48,151,982	30,750,061	23,153,614	10,223,864	4,142,595	7,842,685	113,306	234,170,678
Net liquidity gap	(60,900,300)	(43,196,560)	(26,916,103)	(18,108,978)	4,556,676	21,501,662	129,761,920	4,143,155	10,841,472

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2020 and 31 December 2019. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Bank manage inherent liquidity risk based on discounted expected cash flows.

31.12.2020	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Customers' funding:								
- Deposits from customers	93,430,983	32,156,428	18,846,395	11,186,744	10,304,479	26,931	-	165,951,960
- Investment accounts of customers	19,884,546	1,067,351	1,561,253	1,357,145	9,648	4,652	-	23,884,595
Deposits and placements of banks and other financial institutions	8,477,373	5,268,280	5,239,474	1,141,477	3,510,696	2,372,555	17,243,578	43,253,433
Bills and acceptances payable	38,086	-	-	-	-	-	-	38,086
Other financial liabilities	1,500	678	1,017	330,057	4,245	2,527	-	340,024
Term funding	-	3,000,000	3,542,000	1,542,000	2,084,000	-	1,115,918	11,283,918
Subordinated sukuk	-	23,250	22,500	45,750	183,000	183,000	2,180,750	2,638,250
Capital securities	-	-	24,750	24,750	1,049,500	-	-	1,099,000
	121,832,488	41,515,987	29,237,389	15,627,923	17,145,568	2,589,665	20,540,246	248,489,266
Commitments and contingencies								
Direct credit substitutes	85,508	116,992	585,323	1,310,369	230,657	3,388	500,100	2,832,337
Certain transaction-related contingent items	162,465	149,621	190,775	461,295	1,105,259	271,606	192,164	2,533,185
Short-term self-liquidating trade-related contingencies	40,807	104,017	16,286	931	-	-	-	162,041
Irrevocable commitments to extend credit	-	-	-	27,288,508	10,452,802	-	-	37,741,310
Miscellaneous	-	-	-	86,280	-	-	-	86,280
	288,780	370,630	792,384	29,147,383	11,788,718	274,994	692,264	43,355,153

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

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

31.12.2019	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Customers' funding:								
- Deposits from customers	88,682,505	34,049,806	21,825,128	18,120,002	97,206	20,290	-	162,794,937
- Investment accounts of customers	15,935,517	1,034,677	2,202,377	1,678,553	17,272	3,281	-	20,871,677
Deposits and placements of banks and other financial institutions	5,830,539	11,172,227	4,561,763	529,442	8,428,244	4,490,492	6,198,294	41,211,001
Bills and acceptances payable	137,893	-	-	-	-	-	-	137,893
Other financial liabilities	2,080	685	1,028	159,056	6,638	3,449	812	173,748
Term funding	-	2,186,776	2,805,275	2,980,721	2,168,000	-	-	10,140,772
Subordinated sukuk	-	23,250	22,500	45,750	183,000	183,000	2,272,250	2,729,750
Capital securities	-	-	24,750	24,750	1,099,000	-	-	1,148,500
	110,588,534	48,467,421	31,442,821	23,538,274	11,999,360	4,700,512	8,471,356	239,208,278
Commitments and contingencies								
Direct credit substitutes	73,427	257,220	175,332	785,289	88,471	2,013	500,000	1,881,752
Certain transaction-related contingent items	223,983	177,331	270,734	371,730	938,538	1,282,305	116,463	3,381,084
Short-term self-liquidating trade-related contingencies	90,373	113,542	14,175	10,727	23,544	-	-	252,361
Irrevocable commitments to extend credit	-	-	-	23,199,822	9,856,695	-	-	33,056,517
Miscellaneous	-	-	-	53,198	-	-	-	53,198
	387,783	548,093	460,241	24,420,766	10,907,248	1,284,318	616,463	38,624,912

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

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

The tables below analyse the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2020 and 31 December 2019. The amounts disclosed in the tables are the contractual undiscounted cash flows.

31.12.2020	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(10)	-	-	-	-	-	-	(10)
- Profit rate related contracts	(16)	(9,450)	(9,608)	(18,625)	(55,138)	(11,269)	(5,721)	(109,827)
	(26)	(9,450)	(9,608)	(18,625)	(55,138)	(11,269)	(5,721)	(109,837)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(3,256,900)	(9,732,862)	(4,818,641)	(143,101)	(1,539,022)	(334,710)	(1,199,826)	(21,025,062)
- Inflow	3,141,915	9,433,844	4,711,068	135,296	1,482,498	309,713	1,107,365	20,321,699
	(114,985)	(299,018)	(107,573)	(7,805)	(56,524)	(24,997)	(92,461)	(703,363)

39. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

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

The tables below analyse the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2020 and 31 December 2019. The amounts disclosed in the tables are the contractual undiscounted cash flows (cont'd.).

31.12.2019	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(141)	-	-	-	-	-	-	(141)
- Profit rate related contracts	-	(1,295,102)	(1,890,586)	(4,314,779)	(14,818,657)	(6,747,070)	(4,330)	(29,070,524)
	(141)	(1,295,102)	(1,890,586)	(4,314,779)	(14,818,657)	(6,747,070)	(4,330)	(29,070,665)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(1,348,738)	(4,547,268)	(2,418,054)	(341,937)	(1,544,104)	(124,778)	(944,076)	(11,268,955)
- Inflow	1,337,437	4,477,793	2,342,149	329,532	1,522,746	129,082	1,009,954	11,148,693
	(11,301)	(69,475)	(75,905)	(12,405)	(21,358)	4,304	65,878	(120,262)

39. Financial risk management policies (cont'd.)

(h) Operational risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Bank's operational risk management is premised on the three lines of defence concept. Risk taking units (Strategic Business Unit), as first line of defence are primarily responsible for the day-to-day management of operational risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Bank's operational risk management framework.

The Operational Risk Management ("ORM") team, as the second line of defence, is responsible for the formulation and implementation of operational risk management policy within the Bank, which encompasses the operational risk management strategy and governance structure. ORM also responsible for the development and implementation of operational risk management tools and methodologies to identify, measure, control, report and monitor operational risks.

The Bank's Internal Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the operational risk management process, which includes performing independent review and periodic validation of the ORM policy and process as well as conducting regular review on implementation of ORM tools by ORM and the respective business units.

40. Fair values measurements

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy;
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
(e) Movements of Level 3 instruments;
(f) Sensitivity of fair value measurements to changes in unobservable input assumptions; and
(g) Financial instruments not measured at fair value.

40. Fair values measurements (cont'd.)

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Bank determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs.

Management's judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Bank established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Bank follow methodologies that consider factors such as bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Bank continuously enhances their design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for their intended use.

For disclosure purposes, the level in the hierarchy within which the instruments is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

  Refers to instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions in an arm’s length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

40. Fair values measurements (cont'd.)

(a) Valuation principles (cont'd.)

For disclosure purposes, the level in the hierarchy within which the instruments is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements (cont'd.):

- Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data

  Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over–the–counter ("OTC") derivatives, corporate and other government sukuk, illiquid equities and consumer financing and advances with homogeneous or similar features in the market.

- Level 3: Valuation techniques for which significant inputs are not based on observable market data

  Refers to instruments where fair value is measured using significant unobservable market inputs. The valuation techniques used are consistent with the Level 2 but incorporate the Bank's own assumptions and data. Examples of level 3 instruments include corporate sukuk in illiquid markets, private equity investments and financing and advances priced primarily based on internal credit assessment.

(b) Valuation techniques

The valuation techniques used for both the financial instruments and non-financial assets and liabilities that are not determined by reference to quoted prices (Level 1) are described below:

Derivatives

The fair values of the Bank's derivative instruments are derived using discounted cash flows analysis, option pricing and benchmarking models.

Financial investments at fair value through profit or loss and financial investments at fair value through other comprehensive income

The fair values of financial investments are determined by reference to prices quoted by independent data providers and independent brokers.

40. Fair values measurements (cont'd.)

(b) Valuation techniques (cont'd.)

The valuation techniques used for both the financial instruments and non-financial assets and liabilities that are not determined by reference to quoted prices (Level 1) are described below (cont'd.):

Financing and advances at fair value through other comprehensive income

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 customers with similar credit profiles.

(c) Fair value measurements and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below:

		Valuation technique using		
	Quoted Market Price Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
31.12.2020	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets measured at fair values:				
Financial investments at FVOCI	**-**	**18,451,889**	**1,250**	**18,453,139**
Financing and advances at FVOCI	**-**	**-**	**2,741,267**	**2,741,267**
Derivative assets	**-**	**385,303**	**-**	**385,303**
	-	**18,837,192**	**2,742,517**	**21,579,709**
Financial liabilities measured at fair values:				
Derivative liabilities	**-**	**656,302**	**-**	**656,302**
	-	**656,302**	**-**	**656,302**

40. Fair values measurements (cont'd.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

The classification in the fair value hierarchy of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below (cont'd.):

		Valuation technique using		
	Quoted Market Price Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
31.12.2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets measured at fair values:				
Financial investments at FVTPL	-	383,194	-	383,194
Financial investments at FVOCI	-	15,291,270	1,250	15,292,520
Financing and advances at FVOCI	-	-	440,383	440,383
Derivative assets	-	200,414	-	200,414
	-	15,874,878	441,633	16,316,511
Financial liabilities measured at fair values:				
Derivative liabilities	-	221,674	-	221,674
	-	221,674	-	221,674

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Note 2.2(xvi). There were no transfers between Level 1 and Level 2 for the Bank during the financial year ended 31 December 2020.

40. Fair values measurements (cont'd.)

(e) Movements of Level 3 instruments

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis.

	Financial investments FVOCI 31.12.2020 RM'000	Financing and advances 31.12.2020 RM'000	Financial investments FVOCI 31.12.2019 RM'000	Financing and advances 31.12.2019 RM'000
At 1 January	**1,250**	**440,383**	1,250	471,122
Unrealised gain recognised in other comprehensive income	**-**	**34,225**	-	3,911
Purchases/additions	**-**	**2,347,259**	-	8,750
Settlements	**-**	**(80,600)**	-	(43,400)
At 31 December	**1,250**	**2,741,267**	1,250	440,383

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets and financial liabilities in Level 3 of the fair value hierarchy.

(g) Financial instruments not measured at fair value

The on-balance sheet financial assets and financial liabilities of the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all their assets and liabilities with the exception of property, plant and equipment, provision for current and deferred taxation.

For financing and advances to 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 judgements 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 Bank's financial instruments, including financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Bank could realise in a sale transaction as at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Bank as a going concern.

40. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount as shown in the statement of financial position:

31.12.2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Financing and advances	-	22,401,614	193,581,948	215,983,562	203,666,875
Financial investments at amortised cost	-	9,475,581	7,193,979	16,669,560	16,381,007
Financial liabilities					
Deposits from customers	-	165,268,315	-	165,268,315	165,268,246
Investment accounts of customers	-	23,840,946	-	23,840,946	23,840,796
Deposits and placements of banks and other financial institutions	-	38,765,419	-	38,765,419	38,770,852
Term funding	-	10,961,418	-	10,961,418	10,895,058
Subordinated sukuk	-	2,084,743	-	2,084,743	2,028,303
Capital securities	-	1,032,741	-	1,032,741	1,002,441

40. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount as shown in the statement of financial position (cont'd.):

31.12.2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Financing and advances	-	15,040,498	186,541,367	201,581,865	189,762,974
Financial investments at amortised cost	-	3,130,034	6,623,593	9,753,627	9,671,676
Financial liabilities					
Deposits from customers	-	160,938,044	-	160,938,044	161,039,140
Investment accounts of customers	-	20,738,073	-	20,738,073	20,737,670
Deposits and placements of banks and other financial institutions	-	38,792,077	-	38,792,077	38,827,556
Term funding	-	9,920,743	-	9,920,743	9,891,993
Subordinated sukuk	-	2,150,739	-	2,150,739	2,028,311
Capital securities	-	1,018,218	-	1,018,218	1,002,170

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

(i) Financial investments at amortised cost

Fair values of securities that are actively traded are 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 earnings 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.

40. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments (cont'd.).

(ii) Financing and advances

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

(iii) Deposits and placements of banks and other financial institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying amount 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.

(iv) Term funding and subordinated sukuk

The fair values of subordinated sukuk are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for similar instruments as at reporting date.

41. Offsetting of financial assets and financial liabilities

Derivative assets and derivative liabilities are offset and the net amounts are reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Nostro foreign accounts related balances are reclassified and presented net against amount due from holding company included within other assets to better reflect the operationalisation and settlement of Nostro accounts.

Amounts which are not offset in the statement of financial position are related to:

(i) the counterparties' offsetting exposures with the Bank where the right to set-off is only enforceable in the event of default, insolvency or bankruptcy by the counterparties; and

(ii) cash and securities that are received or pledged with counterparties.

41. Offsetting of financial assets and financial liabilities (cont'd.)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

				Amount not offset in the statement of financial position		
	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Financial instruments RM'000	Financial collateral received/ pledged RM'000	Net amount RM'000
31.12.2020						
Financial assets						
Derivative assets	**385,303**	**-**	**385,303**	**(11,344)**	**(98,420)**	**275,539**
Financial liabilities						
Derivative liabilities	**656,302**	**-**	**656,302**	**(11,344)**	**-**	**644,958**
31.12.2019						
Financial assets						
Derivative assets	200,414	-	200,414	(5,610)	(45,690)	149,114
Financial liabilities						
Derivative liabilities	221,674	-	221,674	(5,610)	-	216,064

42. Capital management

The Bank's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Bank operates. The Bank regards having a strong capital position as essential to the Bank's business strategy and competitive position. As such, implications on the Bank's capital position are taken into account by the Board and senior management prior to implementing major business decisions in order to preserve the Bank's overall capital strength.

The Bank's key thrust of capital management are to diversify its sources of capital; to allocate and deploy capital efficiently, guided by the need to maintain a prudent relationship between available capital and the risks of its underlying businesses; and to meet the expectations of key stakeholders, including investors, regulators and rating agencies. In addition, the Bank's capital management is also implemented with the aim to:

- Maintain adequate capital ratios at all times, at levels sufficiently above the minimum regulatory requirements across the Bank;
- Support the Bank's credit rating from local and international rating agencies;
- Deploy capital efficiently to businesses and optimise returns on capital;
- Remain flexible to take advantage of future opportunities; and
- Build and invest in businesses, even in a reasonably stressed environment.

The quality and composition of capital are key factors in the Board and senior management's evaluation of the Bank's capital adequacy position. The Bank places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The Bank's capital management is guided by the Bank Capital Management Framework to ensure that capital is managed on an integrated approach and ensure a strong and flexible financial position to manage through economic cycles.

The Bank's capital management is also supplemented by Bank Annual Capital Plan to facilitate efficient capital levels and utilisation across the Bank. The plan is updated on an annual basis covering at least a three year horizon and approved by the Board for implementation at the beginning of each financial year. The Bank Annual Capital Plan is reviewed by the Board at least annually in order to keep abreast with the latest development on capital management and also to ensure effective and timely execution of the plans contained therein.

42. Capital management (cont'd.)

Pursuant to Bank Negara Malaysia's ("BNM") Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, all financial institutions shall hold and maintain at all times, the minimum Common Equity Tier 1 Ratio of 4.5%, Tier 1 Ratio of 6%, and Total Capital Ratio of 8%. BNM has also introduced additional capital buffer requirements which comprises Capital Conservation buffer of 2.5% of total RWA and Countercyclical Capital Buffer ranging between 0% - 2.5% of total RWA. The framework also provides further guidance on the computation approach and operations of the Countercyclical Capital Buffer ranging between 0% - 2.5%.

BNM had on 5 February 2020 issued a policy document on Domestic Systemically Important Banks (“D-SIB”) Framework and identified Maybank Group as one of the banks categorised as a D-SIB. Maybank Group is categorised under Bucket 2 of the Higher Loss Absorbency (“HLA”) requirements which will come into effect on 31 January 2021.

43. Capital adequacy

(a) Compliance and application of capital adequacy ratios

The capital adequacy ratio of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 9 December 2020 and 3 May 2019 respectively. The total RWA are computed based on the following approaches:

(i) Credit risk under Internal-Ratings Based Approach and Standardised Approach;
(ii) Market risk under Standardised Approach; and
(iii) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2020 (2019: 4.5%, 6.0% and 8.0% of total RWA).

(b) The capital adequacy ratios of the Bank

The capital adequacy ratios of the Bank as at the reporting dates, are as follows:

	31.12.2020	**31.12.2019 (Restated)**	**1.1.2019 (Restated)**
Capital ratios			
CET1 capital ratio	**13.773%**	13.799%	16.039%
Tier 1 capital ratio	**15.030%**	15.206%	17.656%
Total capital ratio	**18.063%**	18.545%	22.221%

43. Capital adequacy (cont'd.)

(c) Components of Tier 1 and Tier 2 capital

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
CET1 Capital			
Share capital	**7,929,444**	7,197,398	7,197,398
Retained profits	**2,756,457**	2,457,477	2,760,303
Other reserves	**1,234,078**	1,181,830	303,622
CET1 capital before regulatory adjustments	**11,919,979**	10,836,705	10,261,323
Less: Regulatory adjustment applied in CET1 capital	**(960,375)**	(1,033,520)	(342,549)
Deferred tax assets	**-**	-	(24,077)
Gain of financial instruments classified as 'fair value through other comprehensive income'	**(365,901)**	(187,023)	(4,956)
Regulatory reserve	**(594,474)**	(846,497)	(313,516)
Total CET1 Capital	**10,959,604**	9,803,185	9,918,774
Additional Tier 1 Capital			
Capital securities	**1,000,000**	1,000,000	1,000,000
Total Tier 1 Capital	**11,959,604**	10,803,185	10,918,774
Tier 2 Capital			
Subordinated sukuk	**2,000,000**	2,000,000	2,500,000
General provision[1]	**11,523**	17,675	23,310
Surplus of eligible provision over expected loss	**401,538**	354,063	299,696
Total Tier 2 capital	**2,413,061**	2,371,738	2,823,006
Total Capital	**14,372,665**	13,174,923	13,741,780

[1] Refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

43. Capital adequacy (cont'd.)

(d) The breakdown of RWA by each major risk categories for the Bank are as follows:

	31.12.2020 RM'000	31.12.2019 RM'000 (Restated)	1.1.2019 RM'000 (Restated)
Standardised Approach exposure	**2,970,081**	3,069,539	5,647,539
Internal Ratings-Based Approach exposure after scaling factor	**80,460,704**	69,483,314	60,816,283
Total RWA for credit risk	**83,430,785**	72,552,853	66,463,822
Total RWA for credit risk absorbed by the holding company and Investment Account Holder ("IAH")^	**(13,537,755)**	(10,472,880)	(13,113,007)
Total RWA for market risk	**1,177,963**	963,780	1,152,312
Total RWA for operational risk	**8,499,254**	8,000,097	7,338,969
Total RWA	**79,570,247**	71,043,850	61,842,096

^ In accordance to the BNM Investment Account policy, the credit risk weighted assets funded by investment accounts (Unrestricted Investment Account and Restricted Investment Account) are excluded from the calculation of capital adequacy ratio of the Bank.

44. Shariah disclosures

(a) Shariah governance

The Bank has put in place a sound Shariah governance framework to ensure strict adherence to Shariah requirements in its processes. A dedicated Shariah Committee ("SC") provides Shariah oversight on all material Shariah non-compliant risks across the Bank. Supporting the SC are the Shariah Risk Management and Shariah Review and Compliance ("SRC") functions that respectively identify, measure, monitor and control Shariah non-compliance risks, and provides regular assessment on the compliance of the operations, business, affairs and activities of the Bank with Shariah requirements. Underpinning the governance framework are the detailed policies and procedures that include the required steps to ensure that each transaction executed by the Bank complies with Shariah requirements. A dedicated internal audit team was also established to provide the required check and balance in ensuring strict compliance with the policies and procedures.

Any transaction suspected as Shariah non-compliant will be escalated to the SC for deliberation and decision whether any Shariah requirements have been breached. Shariah Risk Management will track on the incident and rectification status, and ensure timely reporting to the SC, Board and BNM. For Shariah non-compliant transactions, any related income earned will be purified by channelling the amount to charity or given back to the customer, as determined by the SC.

44. Shariah disclosures (cont'd.)

(a) Shariah governance (cont'd.)

For the financial year ended 31 December 2020, the nature of transactions deliberated to SC for Shariah non-compliance are as follows:

(i) Shariah non-compliant events

31.12.2020	**No. of events**	**RM'000**
Financing of prohibited activity	**1**	**28**
Finance charges/monthly profit amount exceeded the selling price	**1**	**-**[1]
Financing of Shariah non-compliant investment	**1**	**11**
	3	**39**

31.12.2019	**No. of events**	**RM'000**
Ujrah fee charged on terminated/cancelled credit card	1	Nil
Conventional will writing fee capitalised in the Islamic Home Financing facility	1	-[2]
	2	-

Apart from the purification of income from Shariah non-compliant events, the Bank has implemented several rectification measures relating to systems, processes and procedures to enhance control mechanism and minimise recurrence of Shariah non-compliant incidents.

The following rectification action plans have been implemented:

Nature of events	**Measures undertaken**	**Status**
Financing of prohibited activity	Enhanced Shariah Screening tool and staff awareness	Completed
Finance charges/monthly profit amount exceeded the selling price	Refund of overcharged amount and system enhancement to cap the finance charges within the selling price	Completed
Financing of Shariah non-compliant investment	Enhanced existing Islamic Initial Public Offering process flow	Completed

44. Shariah disclosures (cont'd.)

(a) Shariah governance (cont'd.)

(ii) Sources and uses of charity funds

	31.12.2020 RM'000	31.12.2019 RM'000
Sources of charity funds		
Shariah non-compliant/prohibited income	**39**	-[2]
Total sources of charity funds during the year	**39**	-[2]
Uses of charity funds		
Contribution to non-profit organisation	**39**	-[2]
Total uses of charity funds during the year	**39**	-[2]
Undistributed charity funds as at 31 December	**-**	-

[1] Denotes RM40.47

[2] Denotes RM36.72

(b) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contract are dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

45. Restatement of comparatives

During the current financial year, the Bank has made restatement of comparatives in relation to accumulated prepaid profit distributable to depositors.

The financial effects arising from the restatement of comparatives are as follows:

(i) Statement of financial position

	As at 31 December 2019		
	As previously stated RM'000	Restatement RM'000	As restated RM'000
ASSETS			
Other assets	3,960,197	(218,525)	3,741,672
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK			
Retained profits	2,676,002	(218,525)	2,457,477

45. Restatement of comparatives (cont'd.)

The financial effects arising from the restatement of comparatives are as follows (cont'd.):

(i) Statement of financial position (cont'd.)

	As at 1 January 2019		
	As previously stated RM'000	Restatement RM'000	As restated RM'000
ASSETS			
Other assets	4,242,911	(210,315)	4,032,596
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK			
Retained profits	2,970,618	(210,315)	2,760,303

(ii) Income statement

	For the financial year ended 31 December 2019		
	As previously stated RM'000	Restatement RM'000	As restated RM'000
Profit distributed to depositors	(5,557,966)	(10,803)	(5,568,769)
Total net income	5,170,234	(10,803)	5,159,431
Profit before taxation and zakat	3,299,819	(10,803)	3,289,016
Taxation	(750,239)	2,593	(747,646)
Profit for the year	2,519,229	(8,210)	2,511,019

(iii) Statement of cash flows

	For the financial year ended 31 December 2019		
	As previously stated RM'000	Restatement RM'000	As restated RM'000
Cash flows from operating activities			
Profit before taxation and zakat	3,299,819	(10,803)	3,289,016
Operating profit before working capital changes	3,359,992	(10,803)	3,349,189
Change in other assets	274,394	10,803	285,197

45. Restatement of comparatives (cont'd.)

The financial effects arising from the restatement of comparatives are as follows (cont'd.):

(iv) The following table analyses the impact of Capital Adequacy Ratios of the Bank:

	As at 31 December 2019		
	As previously stated	**Restatement**	**As restated**
CET1 Capital (RM'000)	10,021,710	(218,525)	9,803,185
Tier 1 Capital (RM'000)	11,021,710	(218,525)	10,803,185
Total Capital (RM'000)	13,393,448	(218,525)	13,174,923
Risk Weighted Assets (RM'000)	71,072,798	(28,948)	71,043,850
CET1 Capital Ratio	14.101%	-0.302%	13.799%
Tier 1 Capital Ratio	15.508%	-0.302%	15.206%
Total Capital Ratio	18.845%	-0.300%	18.545%

	As at 1 January 2019		
	As previously stated	**Restatement**	**As restated**
CET1 Capital (RM'000)	10,129,089	(210,315)	9,918,774
Tier 1 Capital (RM'000)	11,129,089	(210,315)	10,918,774
Total Capital (RM'000)	13,952,095	(210,315)	13,741,780
Risk Weighted Assets (RM'000)	61,884,693	(42,597)	61,842,096
CET1 Capital Ratio	16.368%	-0.329%	16.039%
Tier 1 Capital Ratio	17.984%	-0.328%	17.656%
Total Capital Ratio	22.545%	-0.324%	22.221%

46. Significant and subsequent events

The following are the significant events of the Bank subsequent to the financial year ended 31 December 2020:

(a) Issuance of Tier 2 Subordinated Sukuk Murabahah of RM1.0 billion in nominal value pursuant to Sukuk Murabahah Programme of up to RM10.0 billion in nominal value

On 15 February 2021, the Bank has completed the issuance of Tier 2 Subordinated Sukuk Murabahah ("Subordinated Sukuk Murabahah") of RM1.0 billion in nominal value pursuant to Sukuk Murabahah Programme of up to RM10.0 billion in nominal value. Details of the issuance are as follows:

Maturity Date	Nominal Value	Description	Tenor
14 February 2031	RM1.0 billion	Subordinated Sukuk Murabahah (10 non-call 5)	10 years

(b) Redemption of Tier 2 Subordinated Sukuk Murabahah of RM1.0 billion in nominal value pursuant to Sukuk Murabahah Programme of up to RM10.0 billion in nominal value

On 15 February 2021, the Bank fully redeemed the RM1.0 billion Subordinated Sukuk Murabahah. The RM1.0 billion Subordinated Sukuk Murabahah was issued on 15 February 2016 as disclosed in Note 20(i).