BPMB
Malaysia Development Bank

PERBANKAN ISLAM

IMPACT IN MIND

ANNUAL INTEGRATED REPORT 2019

IMPACT IN MIND

Since BPMB's inception, we have been providing a path to Malaysia's infrastructural solutions. Our role has expanded beyond serving the early developmental needs. Today, we focus on creating and sustaining positive impact as we transform to meet the future needs of the nation.

About us

Bank Pembangunan Malaysia Berhad (BPMB) was incorporated in 1973 as one of Malaysia's first Development Financial Institutions (DFI), mandated to provide medium to long-term financing to the nation's nascent infrastructure, maritime, oil and gas and technology sectors. Wholly owned by the Malaysian Government through the Minister of Finance Inc, the Bank has evolved with the nation's progress. We are excited to announce the start of a strategic transformation to spark and support Malaysia's emerging development needs. To drive this strategy, our staff are embracing a mindset shift to one that is mindful of creating meaningful and sustainable impact.

About this report

We are proud to raise the bar of reporting by launching the inaugural 2019 Annual Integrated Report which captures the Integrated Reporting Framework for the first time, while adhering to Bank Negara Malaysia's policy documents on Corporate Governance, Corporate Strategic Plan, Performance Measurement Framework and Financial Reporting for DFIs. The financial reporting is aligned with Malaysian and international guidelines and recommendations. In addition, this Annual Integrated Report encompasses non-financial considerations and stresses the inter-connectedness of all stakeholders and the external environment which collectively influence how BPMB creates and sustains value. The holistic approach marks a higher standard of reporting.

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SHIFTING MINDSETS

"We recognise that embedding the right culture is key to achieving our renewed vision to be Malaysia's leading developmental partner."

DATUK ZAITON MOHD HASSAN
Chairman

BPMB has come a long way since its incorporation in 1973 when BPMB was entrusted to take the lead as Malaysia's key Development Financial Institution (DFI). With a focus on four main sectors: infrastructure, technology, maritime as well as oil and gas, we have played a key role in Malaysia's development for the past four decades. However, the domestic market has undergone corporate restructuring and business consolidation, when coupled with rapid technological advancements, resulted in intensifying competition in the banking sector. Additionally, environmental challenges arising from the nation's development are also increasing. To be Malaysia's leading developmental partner and to support the nation's future progress through Digitalisation, Sustainability and Inclusivity, we have to re-examine our role and shift gears from being a provider of development finance to a catalyst for a new economy. We have gone back to basics to drive our transformation through our culture, which is shaped by our core values and driven through our seven paradigm shifts.

VISION — Malaysia's leading developmental partner

MISSION — Impactful delivery with strategic outcomes

CORE VALUES

Back-to-Basic Principles

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

STRATEGIC THRUSTS

1. Embracing Paradigm Shift
2. Supporting Government's Strategic Priority Areas
3. Adhering to Islamic Principles

The Paradigm Shift

		From	To
P1	Focus	profit-driven	impact-driven
P2	Posture	deal seeker	financing advocate
P3	Mindset	risk mitigation	success maximisation
P4	Tools	product focused	solution driven
P5	Relationships	financier	catalyst
P6	People	me	us
P7	Stakeholders	reporting and compliance	advocacy

IMPACT AT THE TOP OF MIND

"This was very impressive work and we are sure it will change the thinking and orientation down the road. We can already see the culture change coming through with the logic behind the document."

KAMAL SIBLINI
Senior Monitoring and Evaluation Specialist
The World Bank Group

We have developed a framework to measure our impact on national development in collaboration with our government ministries and the World Bank. The framework is developed to ensure support is provided to projects that balance positive impact on the present as well as the future. We will assess projects to ensure they make a sustainable and meaningful contribution to the nation's development and support projects that have the best outcomes for everyone — benefitting people, the environment and national development. Our evidence-based approach will guide BPMB in enhancing the development impact of its operations in line with the national development agenda while remaining financially sustainable. We are proud to be spearheading this initiative in the field of development finance.

BPMB
Malaysia Development Bank

IMPACT ASSESSMENT FRAMEWORK

Financial and Efficiency Indicators

- BPMB Credit Rating
- Private Sector Crowding-In
- Private Sector Crowding-Out
- Efficiency Ratio

Social, Environmental and Economic Impact Indicators

- Contribution to 5 SDGs
- BNM Additionalities
- Safeguard Indicators
- Others—Government's Strategic Priority Areas

Timeline for implementation

2019	2020	2021	2022
Embarked on creating the assessment framework	Launch, implementation and systemisation of framework	Promoting the framework to other DFIs	Strive for leadership position in impact assessment

MINDFUL DEVELOPMENT

"We recognise that the success of sustainable development depends on increasing the size, and enhancing the quality, of the pool of future leaders and practitioners of sustainable development."

ARSHAD MOHAMED ISMAIL
President/Group Chief Executive Officer

Moving forward, BPMB's role as a DFI will evolve beyond the traditional sectors by aligning our strategies with the Government's areas of focus. BPMB will strive to achieve sustainable and inclusive growth, consistent with the Government's development agenda as well as the 2030 Agenda for Sustainable Development advocated by the United Nations which sets out 17 Sustainable Development Goals (SDGs). As BPMB moves forward, it will prioritise and promote industries that support the sustainability narrative.

From...
Four Focus Sectors

- Infrastructure
- Technology
- Maritime
- Oil & Gas

To...
Sector Agnostic focusing on projects aligned with SDG impacts

Group at a Glance

In fulfilling our mandate as a Development Financial Institution (DFI), BPMB has developed our organisational culture, business processes and talent with the current and evolving needs of Malaysia in mind. This section summarises how our strategic plan is operationalised to achieve our objectives.

VISION

Malaysia's leading developmental partner

MISSION

Impactful delivery with strategic outcomes

What we do

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

See more: In Conversation with President/Group Chief Executive Officer
pages 14 to 17

How we create value

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

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

Our differentiating factors Governance | Culture | Commitment to sustainability

See more: Our Value Creating Business Model
pages 20 and 21

CORE VALUES

Back-to-Basic Principles

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

An impact-driven culture

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

See more: Chairman's Statement
pages 10 to 13

Pro-active risk management

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

See more: Group Risk Management
pages 60 to 67

Committed to governance excellence

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

See more: Statement of Corporate Governance
pages 44 to 53

STRATEGIC THRUSTS

1. Embracing Paradigm Shift
2. Supporting Government's Strategic Priority Areas
3. Adhering to Islamic Principles

Our value-based strategies and enablers

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

See more: Our Strategy
pages 22 and 23

Creating meaningful impact

Strengthening our financials empowers us to continue being the banker of choice for future projects of national significance and benefit.

TOTAL ASSETS
24,663
RM MIL

RETURN ON ASSETS
1.02%

See more: Financial Performance
pages 26 to 29

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

FINANCING TO THE UNSERVED AND UNDERSERVED SEGMENTS
20.71%

SYNDICATION/PRIVATE INVESTMENT CROWD-IN
7.25%

See more: Non-Financial Performance
pages 30 and 31

Chairman's Statement

"We acknowledge that governance is very important, embedding the right culture is one of the top priorities on our agenda."

DATUK ZAITON MOHD HASSAN
Chairman

Overview

2019 has been a challenging year for the global economy. Heightened geopolitical crises ranging from the ongoing United States-China trade war to Brexit and tensions in the Middle East have exerted persistent pressures on economic recovery. The global economic gloom was further exacerbated by the emergence of COVID-19 which was declared a pandemic by World Health Organisation in March 2020, sending many countries into unprecedented lockdown; a Movement Control Order has been effective in Malaysia since 18 March and extended till 9 June 2020, but with progressively easing conditions since 4 May which allowed almost all business sectors to reopen. The social and financial toll is mounting as countries scramble to contain and manage this novel coronavirus and grapple with its ramifications, even though there are tentative signs of recovery in a few countries. All these events came together to create a complex and adverse business environment which will likely persist in at least the short to medium term.

Being a trade-dependent economy, the subdued global economic climate impacted local economic activities severely, resulting in the lowest growth rate recorded since the 2009 Global Financial Crisis—4.3%. Weakened business confidence and a slowdown in domestic manufacturing activities affected the operational performance of many local companies, limiting our growth in 2019. Notwithstanding the challenges, we continue our mandate as a national Development Financial Institution (DFI), with RM4.6 billion in total approved financing in 2019.

As one of Malaysia's first DFIs, BPMB has supported the growth of key sectors identified by the Government to be of strategic socio-economic development importance. While BPMB has been discharging this duty steadfastly, we recognise the pivotal role we can play to shape Malaysia's future. 2019 also marked the penultimate year towards Vision 2020 and in October 2019, the Shared Prosperity Vision 2030 was launched, positioning a sustainable growth model for Malaysia towards inclusivity through equitable distribution. Therefore, it is timely for BPMB to reflect on our role and position ourselves as a reliable and adept partner to capture opportunities in the new national growth strategy. To this end, BPMB has undertaken a critical review of its purpose in order to engineer the right path to help attain Malaysia's aspirations.

Shaping an impact-oriented mindset

BPMB has been pivotal in providing medium- to long-term financing to the infrastructure, maritime, technology and oil and gas sectors. The specialised financial products and services, consultation and advisory services we provided have helped to nurture these sectors. Over 46 years, these sectors have matured into established players which commercial lenders are more comfortable dealing with; while the commercial banking, financial system and capital markets have likewise evolved, filling previous financing gaps and the limited availability of financial services and products. These parallel developments signal the critical juncture for BPMB to embark on a systematic review of the challenges and the concomitant needs facing Malaysia's economy to revisit its strategic roadmap. The result is a 3-Year Strategic Transformation Plan 2020–2022 with a sharpened vision and mission. BPMB's new vision is to be Malaysia's leading developmental partner which entails a new mission—Impactful delivery with strategic outcomes—supported by three strategic thrusts which P/GCEO covers in detail.

In particular, the strategic thrust on Embracing Paradigm Shift outlines the overarching cultural shift for all staff to embrace a success maximisation mindset to enable BPMB to transform into a change agent that drives national development, provides solutions and creates sustainable impact.

To achieve this, BPMB identified four Core Values that form the backbone of a cultural shift critical to deliver BPMB's refreshed vision and mission. These Core Values are known as BPMB's "Back-to-Basic Principles" designed to guide employees to align their behaviours towards an impact-oriented mindset:

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

In 2018, Bank Negara Malaysia (BNM) further collaborated with the World Bank and DFIs to develop an enhanced Performance Measurement Framework (PMF) for DFIs, providing a sharper focus in the mandates of DFIs while optimising performance and synergies. This framework dovetails with BPMB's revamped culture, ensuring that the organisation is firmly impact-focused.

Moving forward as a sustainable organisation

BPMB embraces sustainability as a business approach that creates long-term value while making a positive impact in the ecological, social and economic environment. As one of Malaysia's pioneer DFIs, this strategy aligns with the long-standing agenda of sustainable development which was initiated since the New Economic Policy of 1970 and remains a key pillar in the current 11th Malaysia Plan.

The first approach focuses on BPMB's ambition to become a full-fledged Islamic bank by 2020. Islam offers guidelines and principles on how to manage economic development in a sustainable way for the betterment of human life while simultaneously preserving environmental interests. These tenets also cover banking practices, with Shariah-compliant financing and solutions that are in line with the national development agenda. The second approach centres around BPMB's 3-Year Transformation Plan, which formally renews our focus on raising the national development impact and affirms our commitment to embrace the United Nations (UN) 2030 Sustainable Development Goals (SDGs). The third approach involves BPMB's move towards a new PMF for DFIs which is even more valid and relevant given the current subdued economic outlook. It sets BPMB on track to fund projects with the greatest positive impact on society, the population and the economy during the crucial recovery period. This framework assesses the "additionalities" of BPMB's interventions. One of the key additionalities elements that the framework tracks is the impact of BPMB's activities on Environment, Social and Governance (ESG) factors, as well as SDGs that are in line with Malaysia's development vision.

As a testament of the Bank's full commitment to UN SDGs in 2019, we were delighted to champion and pioneer the adoption of an innovative impact assessment framework—Measuring Impact to National Development (MIND). MIND actively supports the UN SDGs which are already embedded in our 3-Year Strategic Transformation Plan. MIND promotes concerted action in all our business dealings, where we have targeted the following five SDGs:

- SDG 7 – Affordable and clean energy
- SDG 8 – Decent work and economic growth
- SDG 9 – Industry, innovation and infrastructure
- SDG 10 – Reduced inequality
- SDG 13 – Climate action

I am pleased with the progress BPMB has made in embracing sustainability internally, in our dealings with our stakeholders and across our global partnerships. These strategic milestones mark BPMB's conviction to make a positive long-term ESG impact. Beyond the intrinsic good, these achievements prove the organisation's relevance in the development finance space and demonstrate our commitment to uphold the national agenda.

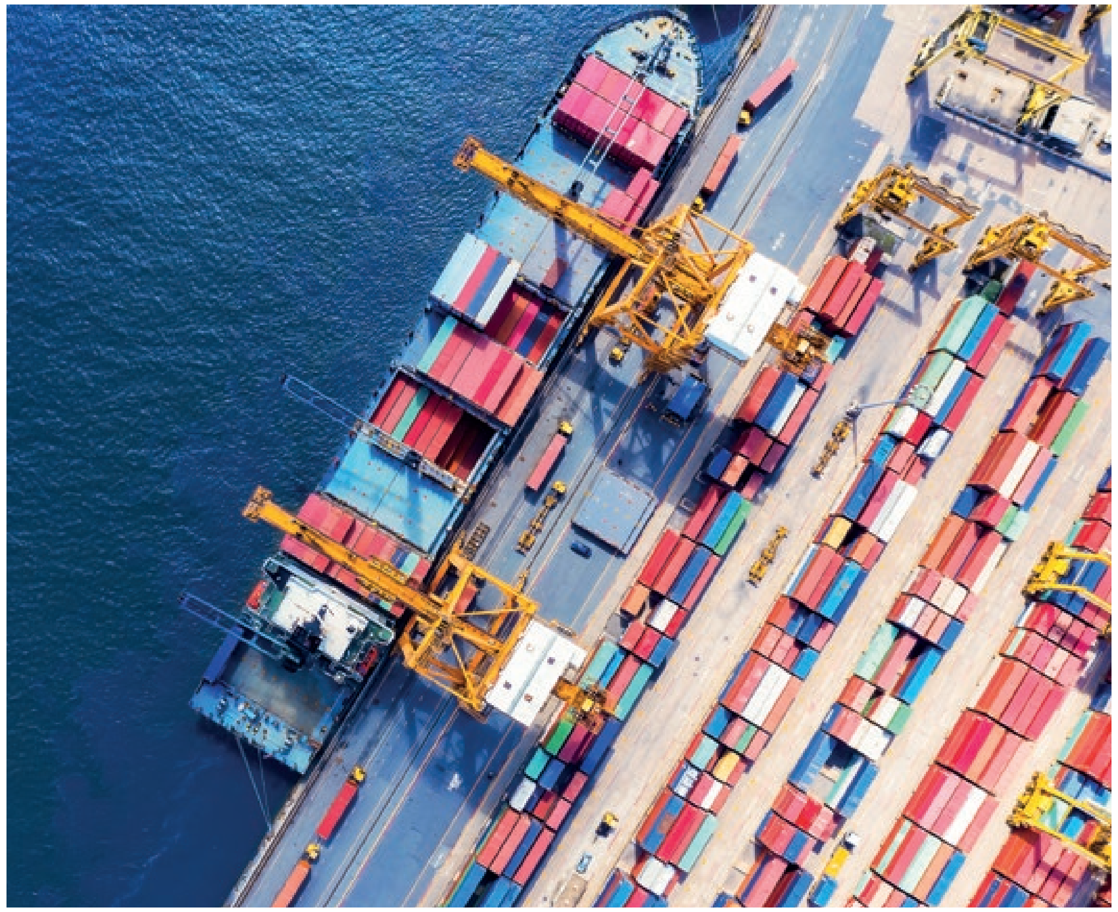
Chairman's Statement

Extracting synergies

In Budget 2020, the Government announced a restructuring plan for DFIs to form a new financial institution through the merger of BPMB, Danajamin Nasional Berhad, Small Medium Enterprise Development Bank Malaysia Berhad and the Export-Import Bank of Malaysia Berhad. The purpose of the merger is to strengthen the DFI ecosystem and better position it to support the future development aspirations of the nation.

Stakeholder engagement

Any successful corporate transformation hinges on comprehensive and thoughtful stakeholder engagement. BPMB is cognizant of this principle and actively engages with a range of stakeholders including BNM, ministries and Government agencies, strategic partners, customers and staff. For instance in 2019 we are proud to be the first Malaysian DFI to collaborate with the World Bank and local ministries to fine-tune the PMF which tracks non-financial achievements.



Active engagements with internal stakeholders is a vital step to the strategic transformation. As banking is one of the most dynamic sectors which requires high-potential employees to drive performance, the Bank commits to a suite of staff engagement exercises. The 3-Year Strategic Plan was formally presented so all staff are kept informed. Additional sessions to introduce and inculcate the **Back-to-Basic Principles** were conducted to help the cultural shift because how the organisation regards itself is intertwined with how others perceive it, ultimately affecting all its interactions with all stakeholders. Open communication via frequent town halls and internal news platforms helps disseminate news, while staff engagement surveys promote bilateral understanding. Attracting, retaining, developing and valuing the right talent through appropriate training programmes and remuneration are also paramount to curating the right talent pool, thereby optimising operations. Keeping people at the heart of what we do, staff welfare is important to us. Our annual Aidilfitri celebration, Family Day, Staff Dinner and Sports Clubs Activities are popular calendar highlights.

Strengthening governance

The Board is committed to the highest standards of governance and regularly reviews its processes and effectiveness. Here are some of the concrete measures implemented to tighten our policies and procedures:

- **New Code of Ethics and Conduct**

  Our revamped Code of Ethics and Conduct reinforces the importance of conducting business with the highest standard of conduct, that compliance is critical and that the risk culture is incumbent upon everyone. We adopt the Code of Ethics for the financial services industry. Any breach will be handled by the consequence-management process.

- **Integrity Governance Unit (IGU) Formed**

  The Board has approved the establishment of IGU within BPMB Compliance to focus on and support the National Anti-Corruption Plan. This is to ensure the highest standards are maintained within BPMB's business operations. The IGU will design and implement BPMB's Anti-Corruption Plan, Anti-Bribery Management System and MS ISO 37001 certification.

- **Updated Governance Structure**

  Throughout 2018–2019, the Board has implemented an updated governance structure whereby a schedule of matters is reserved specifically for the Board's decision.

- **Knowledge Sharing Sessions**

  These are organised to inform employees and management about anti-bribery and anti-corruption regulations. Key initiatives include:

  – Compliance Culture Programme on Money Laundering and Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act for all staff by Speaker from the MACC, Royal Police.

  – Designated Compliance Officer's (DCO) Conference for all DCOs at functional levels to discuss the regulatory requirements on Anti-Money Laundering and Anti-Bribery; and improve their abilities to detect, propose compliance solutions and report issues to management and the Board.

- **Launch of Whistleblowing Channel**

  An External Independent Party has been appointed to front a Whistleblowing Channel known as 'Halo' launched on 6 April 2019 to provide an alternative feedback channel for all staff.

- **Refreshed Risk Management Framework**

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

- **Risk Compliance Culture**

  The Board, Senior Management, and all employees are committed to adhere to relevant laws, regulations and regulatory guidelines. This compliance culture is reinforced by the introduction of BPMB's "Back-to-Basic Principles" as part of its 3-Year Strategic Plan.

Risk management

Strengthening and enhancing the governance culture within BPMB is an ongoing strategic process central to risk management, and one of the key enhancements BPMB is pursuing is to improve our credit value chain (CVC). The CVC enhancement is a two-year programme scheduled for completion by the end of 2020. This programme reviews the entire process from when the transaction originates, till the financing is approved by the credit committee. The purpose of the review is to sharpen the way we evaluate applications and enhance how stress-testing of cash flow is done, while ensuring that we learn from the problems encountered in earlier transactions. It is imperative not only for us to learn how to pre-empt problems, but our customers must also learn how to make their proposals more bankable.

Management-level credit committee assesses financing applications, but any application for financing beyond RM50 million must be endorsed by the Board Credit Committee. While the Board Credit Committee has the right to reject the application, it cannot override the management's decision if the management does not approve a particular application. These are the checks and balances being instituted to mitigate risk.

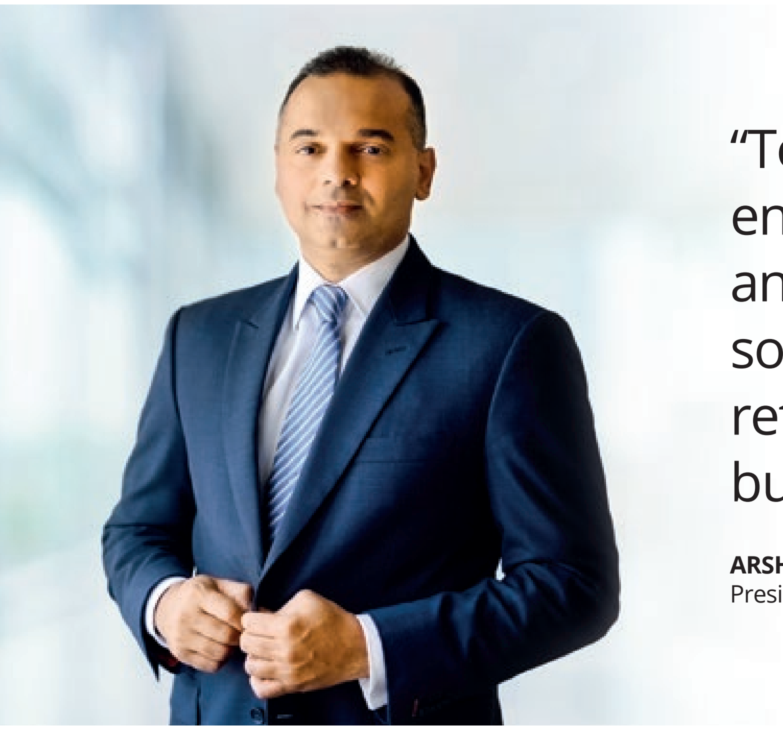
BPMB has also taken the initiative to adopt a more forward-looking approach to capital management as well as conducted a thorough review of its risk management framework, such as putting in place clear sector (lending) limits to ensure that the risks are known. The implementation of these rigorous risk management techniques were reported to the ERMC, GRMC and the Board on a regular basis, ensuring that management and the Board are kept informed and continue to maintain oversight of the risks undertaken.

Advancing with impact in mind

2019 marked a year of going back to basic principles, where we have driven a cultural shift in aligning ourselves towards an impact-oriented mindset. The 3-Year Transformation Plan crystallises the core values for BPMB to embark on its next phase with a renewed focus on creating impact as a change agent plugged into Malaysia's new economy. I would like to thank the Board for its wise counsel in BPMB's transformation journey, the P/GCEO for his strategic leadership in steering BPMB in the right direction, and the staff for their dedication and unwavering support towards the impact agenda. I would also like to thank the Ministry of Finance, Bank Negara Malaysia as well as our other stakeholders for their support which gives me the confidence that with everyone on board, BPMB will be able to fulfil its purpose to serve as a catalyst for the nation's development.

Datuk Zaiton Mohd Hassan
Chairman

In Conversation with President/ Group Chief Executive Officer



"Today, growing environmental concerns and calls for greater social equity necessitate a rethinking of conventional business models."

ARSHAD MOHAMED ISMAIL
President/Group Chief Executive Officer

Q
What has BPMB achieved in the past year and how will the strategic focus change in FY2020 and beyond?

A
Macroeconomic headwinds stemming from geopolitical instability and prolonged trade tensions that plagued the world economy, as I reported in FY2018, continue trickling down to our domestic market. These persistent economic challenges dented business confidence and softened market sentiment, affecting our performance in FY2019. Nevertheless, we remain steadfast in our mandate. I am pleased to present our achievements for FY2019 and our strategy for FY2020 and beyond. To offer a more holistic view, we have adopted a dual perspective model encompassing both financial and non-financial performance appraisals.

Financial Performance

Despite the subdued economy, we managed some noteworthy gains. I am pleased to announce a substantial 45.6% jump in our Group Profit Before Tax and Zakat from RM261 million a year ago to RM380 million this financial year which was primarily attributed to higher non-finance income especially on gain upon disposal of financial investments and lower impairment allowance as a result of higher collection from recovery. Therefore, we concluded FY2019 with a healthy Net Profit of RM252 million, an increase of 50.9% from the previous year.

Our Total Assets remained steady at RM25 billion albeit contraction in financing balance. The contraction was due to early redemption of financing towards the end of the year. The cash received from the financing redemption had increased the total cash and deposits placements and was invested in the financial investments. Total Liabilities reduced notably from borrowings and redeemable notes maturities during the year.

Earnings Per Share leapt 46.4% YoY from 5.6 to 8.2 sens per share contributed by higher net profit garnered in FY2019.

However, the Gross Impaired Financing Ratio reversed the gains achieved a year ago, retreating to 12.2% (identical to 2017) from 11.0% registered in 2018 as a result of contraction in the financing balance in 2019.

BPMB's Cost to Income Ratio (CIR) has increased from 12.9% to 15.0% in FY2019, largely attributed to a drop in net income. While our CIR has increased, it remains the lowest among our peer DFIs. In comparison, our closest peer in 2018 recorded a CIR of more than double that of BPMB's in FY2019.

Non-Financial Performance

While financial performance metrics ensure we remain financially sustainable and on target in our financial undertakings, non-financial performance metrics align our activities with our mandate to be the catalyst for sustainable development. BPMB has adopted the Performance Measurement Framework (PMF) to track the long-term impact of our non-financial performance via two components: additionalities and social cost and benefit. PMF for Development Financial Institutions (DFIs) is an outcome-based framework introduced by Bank Negara Malaysia (BNM) to capture the broader contributions of DFIs beyond the narrow focus of financing growth indicators. In particular, the PMF integrates developmental key result indicators to measure the socio-economic impact of DFIs' operations and to create strong incentives for strategic alignment to achieve greater development impact.

The first component of PMF is additionalities. The additionalities measure positive impact resulting from the Bank's participation, beyond that which would have occurred without the Bank's participation. The additionalities gauge whether the impact that we created today generates synergistic effects in the medium to long term. We take pride and place a high priority on financing the unserved and underserved segments and act as key catalyst for private investment crowd-in.

The second component of PMF is social cost and benefit which is measured by Net Subsidy Cost (NSC). The NSC measures our effectiveness in using public resources to achieve our mandate via assessment on our dependency on Government assistance and deliverables to our targeted segments. Lower NSC means lower dependency on Government assistance to deliver to targeted segment. The NSC for 2019 improved from positive RM48.2 million in 2018 to negative RM113.2 million as a result of lower dependency on Government assistance and higher Profit Before Tax generated during the year.

Dedicated Funds

As a DFI, the Bank performs its mandated roles to promote strategic sectors identified by the Government. Dedicated funds (DF), with financing subsidies indicated in the table above, are created for this purpose.

Dedicated Funds	Fund Size RM billion	Utilisation Rate %
Maritime Fund 2.0	1.5	14.2
Public Transport Fund 2.0	0.5	2.1
Tourism Infrastructure Fund 2.0	1.0	32.4
Industry Digitalisation Transformation Fund	3.0	7.5
Sustainable Development Financing Fund	1.0	41.9
Total Allocation	**7.0**	**100.0**
Fund Utilisation	**1.2**	**17.1**
Fund Balance	**5.8**	**82.9**

These funds were announced by the Government in 2019 National Budget and will expire in 2020. Overall, DF average utilisation was low, merely 17.1% as most of the new government projects were put on hold and existing projects were being put under review in 2019. Lower overall utilisation was also attributed to the weakening economy affected by global events, tighter approval processes on high-risk financing sectors such as maritime and oil and gas as well as general market reluctance to shift from labour intensive to IR 4.0 automation. One of the biggest challenges faced in promoting IR 4.0 is awareness. Various initiatives including roadshows and incentives were introduced through Government agencies to create awareness on IR 4.0 but it is still facing the same challenges in industry readiness and business case.

See more: Performance
pages 18 to 31

Evolving Role of BPMB

The market segments that DFIs traditionally dominated have matured and are being increasingly served by commercial banks.

Moving ahead, we will be sector agnostic, expanding our focus beyond the infrastructure, maritime, oil and gas and technology sectors mandated during our inception. Instead, we will now align our strategies with the Government's initiatives on sustainability, digitalisation and technology. In addition to financial viability, we will be setting our sights firmly on impactful projects in our shift towards impact assessment, regardless of sector.

Strategic Focus

During this difficult period, we must leverage our strengths to lead the way while focusing on our vision and mission. Our mindset shift has been critical in ensuring that we approach what we do with the right focus in mind. This is discussed in detail in the Chairman's Statement. I am proud of the seminal work my team at BPMB has done to launch our 3-Year Strategic Plan 2020–2022 that will steer our Bank into the future.

See more: Chairman's Statement
pages 10 to 13

Q
Why is there a need for a strategic review?

A
We are now living in unprecedented times—the COVID-19 pandemic continues to rack up enormous economic and social challenges worldwide, compounding the prolonged economic pains from FY2018. There are clear reasons for a strategic review.

Firstly, Malaysia's open economy means our local players are constantly exposed to intense global competition. In today's climate of economic uncertainties and volatility unleashed from rapid technological advancements and unfettered labour mobility, BPMB must alleviate some of these external macro pressures to help local businesses retain their competitive edge.

Secondly, propelling Malaysia's progress cannot deteriorate the environment, as it will only exacerbate the severe global climate problems. Environmental degradation will imperil economic growth which will eventually erode financial as well as non-financial gains and diminish potential gains.

In Conversation with President/Group Chief Executive Officer

Thirdly, we are excited by emerging opportunities and stand ready to harness them. Embarking on a new strategy that is flexible and far-sighted will enable us to exploit these opportunities, which in turn will help to sustain and accelerate national economic development.

Finally, domestic issues including wage stagnation, rapid urbanisation, a growing middle class, a fast-ageing population as well as financial sustainability of BPMB, further necessitate a strategic shift.

Q
What is BPMB's strategy for FY2020–FY2022?

A

BPMB's strategy is to gear towards the new mission announced in our 3-Year Strategic Plan 2020–2022: impactful delivery with strategic outcomes. We have outlined three strategic thrusts to achieve this mission:

i. **Embracing Paradigm Shift**

We will guide the organisation through seven paradigm shifts outlined below:

Who we are	Focus
	Posture
What we do	Mindset
	Tools
Why we do it	Relationships
	People
Whom we do it for	Stakeholders

- Our Bank will focus on projects that will create positive impacts to the nation while ensuring that these projects are environmentally and financially sustainable.
- We will play a key role as the Government's thought partner. As a "policy bank", we will collaborate with other participants in the DFI ecosystem, including Government agencies, ministries and commercial banks, to understand different stakeholders' objectives and seek new ways to maximise the impact of our funds.

See more: Our Operating Environment and Outlook pages 18 and 19

- We will focus on success maximisation instead of having a singular focus on risk minimisation.
- We will be change agents, first movers and risk takers, charting the nation's growth trajectory. We will be solutions-driven, and play an advisory role to elevate management and technical support for the traditionally underserved and unserved segments. Our catalytic impact will spur other commercial activities such as private sector investments in our country.
- We will partner and learn from reputable multilateral organisations.

ii. **Supporting Government's Strategic Priority Areas**

BPMB's new operating model will be anchored on impact financing where projects will be weighed against a matrix of financial viability as well as the non-financial impact on the nation and SDGs.

iii. **Adhering to Islamic Principles**

We will embrace Shariah-compliant financing and solutions. Our adherence to Islamic principles will promote ethical banking through an impact-focusing financing approach which is aligned to sustainability and digitalisation.

Q
How is BPMB ensuring a smooth transition and implementation of the new strategy?

A

We have designed a structured approach to take the organisation forward, and will closely align the transformation with the new strategy. Part of the strategic framework involves strengthening our internal processes and capabilities to smoothen the implementation.

The timeline for this strategic implementation is mapped across four phases:

- 2019 Development Phase
- 2020 Implementation Phase
- 2021 Trendsetting Phase
- 2022 Leading Phase

We have outlined specific milestones within each phase and each project we undertake is managed by a project manager. The Project Steering Committee of BPMB monitors and audits the implementation of these milestones to ensure we are on track in achieving our goals.

We plan to undertake a review of our plan in view of the upcoming announcement of the 12th Malaysia Plan and the volatile market conditions arising from the COVID-19 pandemic. This is to ensure that our strategies are aligned with the Government's plans and that they are suitable amidst a changing environment.

I am pleased to share the key milestones we have achieved in 2019 and our goals for 2022:

- Business

  The end-to-end Project Evaluation and Impact Assessment Framework have been completed. We adopted two additionalities under the non-financial performance model, namely our contribution to the underserved and unserved segments and the private crowd-in rate. We participated in the national budget discussion and strategic collaborations with international policy makers as well as local agencies. We are continuing our advocacy role with respect to the national and sectoral blueprints in addition to the Government's fiscal policies.

- Talent Management

  We started implementing the Integrated Talent Management Framework, and are working towards being the Centre of Excellence in Development Finance.

- Governance and Operations

  We strengthened our credit value chain (CVC), reviewed our risk management framework and issued a new Employees Code of Conduct. We are working towards being a champion of ethical banking.

- Communication and Branding

  We are striving to become a reputable name in development banking.

Q
What is the progress so far in becoming a full-fledged Islamic Financial Institution?

A

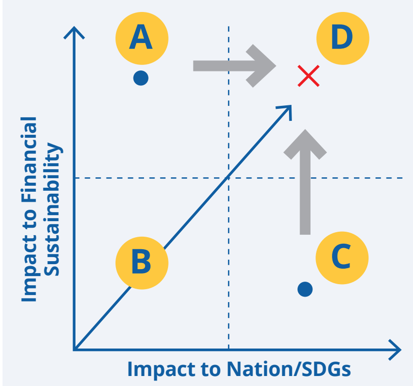
As at 31 December 2019, 68.5% of our financing portfolio comprises Islamic financing. Moving forward, we will continue to increase the proportion of Islamic financing in our books.

Q
How is BPMB measuring the impact it creates through its development activities?

A

One of our Bank's milestones in 2020 will be to fully implement the new PMF —a system of evaluation that assesses projects beyond financial viability, capturing the impact created as a result of our development activities. It will score projects across a two-dimensional matrix, with one axis showing financial viability and the other showing the impact on the national development agenda as well as the UN SDGs.

Impact Quadrants



Source: Bank Pembangunan Malaysia Berhad

Ideally, our Bank aims to finance all future projects that lie in Quadrant D, rated high on both Impact to Nation/SDGs and Impact to Financial Sustainability. The PMF clearly identifies projects occupying Quadrant D, which will receive the highest priority in terms of resource allocation. As a DFI, we are also focused on pro-actively nurturing projects in Quadrants A, B & C, where they show room for improvement on either axis, and groom them into high-impact projects in Quadrant D.

Through this framework, we will focus on the potential developmental outcomes and impact the projects may deliver, on top of their creditworthiness. It will provide better visibility of the development impact on the ground, which will then inform policymakers, who can in turn craft a more effective and efficient developmental agenda.

Q
What is BPMB's outlook and what can we expect from BPMB in the future?

A

According to the World Economic Outlook released by the International Monetary Fund on 6 April 2020, the global economy is expected to contract sharply by 3.0% as we battle the COVID-19 pandemic. The high and rising human cost combined with the far-reaching yet necessary containment measures are curtailing economic activity, triggering the steepest downturn much worse than during the 2008–9 global financial crisis. On an optimistic note, if the virus is contained within the second half of 2020 and economies can resume operations aided by appropriate policy support, we may see a rebound of 5.8% in 2021. BNM has made an announcement on 25 March 2020 relating to measures to be undertaken by banking institutions that include a 6-month deferment (moratorium) for all financing payments/payments, effective from 1 April 2020, to assist individuals and Small and Medium Enterprises (SMEs) to manage the impact of the COVID-19 outbreak.

In support of this initiative, the Bank, on 9 April 2020 has decided to offer a 6-month moratorium to existing borrowers/customers who fulfilled the criteria set by the Bank. The moratorium is a temporary arrangement and economic recovery will be supported by the announcement of the government economic stimulus package amounting to RM250 billion on 27 March 2020 and an additional RM10 billion package for SMEs on 6 April 2020. On top of that, BNM had also cut the Overnight Policy Rate by 50 basis points, to 2.50% (the lowest since 2010) early this year to provide additional liquidity in the banking system.

This is the sombre economic reality. However, with our clear mandate and refreshed strategy, we are prepared to hunker down amidst the climate of uncertainty, to prepare the groundwork and build upon the small success in the early phase of our strategic implementation.

As per our strategic roadmap, the key plans and deliverables for 2020 are as follows:

- Focus our financing on the key themes of sustainability, technology and inclusivity; food, water and energy security and play a counter cyclical role.
- For 2020, greater emphasis has been put into supporting the essential backbone of the revival of the Malaysian economy, such as projects and contracts awarded by the Government (including state government and its agencies), PETRONAS and TNB. Financing to these three areas is critical to ensure continued financing accessibility to the Government, PETRONAS and TNB key projects.
- Launch, implement and digitalise the end-to-end Project Evaluation and Impact Assessment Framework.
- Achieve a further six milestones under CVC.
- Become a full-fledged Islamic DFI.
- Complete the information technology infrastructure framework.
- Build thought leadership in the areas of sustainability, technology and inclusivity by providing quarterly analyses.

See more: Our Strategy pages 22 and 23

Our Board and Senior Management are keenly attuned to the evolving economic situation while remaining deeply committed to implementing our Strategic Transformation Plan, steering us forward with pragmatism and resolve. People remain at the core of what we do and we will reinforce our efforts to cascade positive impact in all our endeavours.

Our Operating Environment and Outlook

Historically, BPMB has been a Development Financial Institution (DFI) focusing on four focus sectors. Moving ahead, we will be sector agnostic, aligning our strategies with the Government's initiatives and key global developments with an emphasis on digitalisation, inclusivity and sustainability.

Sustainability

- **Rapid economic growth and robust development have come at the expense of environmental degradation.**
- **In 2019, Malaysia was rocked with the news of the Sungai Kim-Kim pollution and explosion in Pengerang that resulted in environmental pollution, severe health crises and financial loss.**
- **In line with Malaysia's commitment towards the 2030 United Nations (UN) Sustainable Development Goals (SDGs), it is imperative for sustainability to be at the forefront of sustainable development financing to solve the nation's developmental challenges.**
- **BPMB's development priorities have been aligned with the Government's initiatives towards the materialisation of the 17 UN SDGs.**

Impact

- To achieve economic growth through sustainable development is perceived as the most innovative money-saving tool for the economy in general.
- This principle shapes BPMB's future decision making as the Bank will be sector agnostic, emphasising on impact delivery when financing projects while aligning itself with Government initiatives and the 2030 UN SDGs.

Risk and Opportunities

- The growing importance of sustainability demands that the Bank lends only for appropriate corporate activities that are in line with the 2030 UN SDGs, such as those with minimal adverse environmental impact or those that mitigate climate change. Failure to do so may increase our credit and reputational risks. (Risk)
- By adopting the SDGs agenda, we can mitigate various environmental, developmental and social risks through our sound lending practices. (Opportunity)

Our Strategic Response

- The Bank has established a task force to champion and pioneer the assessment of the potential impact of our lending practices by developing a new framework, Measuring Impact on National Development (MIND) — Strategic Thrust 1 (Embracing Paradigm Shift).
- The Sustainable Development Financing Fund (SDFF) (RM1 billion) was established to support the Government's effort to implement the 17 SDGs — Strategic Thrust 2 (Supporting Government's Strategic Priority Areas).
- Going forward, the goal of BPMB is to invest in sustainable projects and to maximise impact of development to the nation.

Digitalisation

- **Increasing business competition in the global arena requires the adoption of advanced technology to defend domestic markets, encourage industry innovation and tap into new market segments for sustainable long-term growth.**
- **This is particularly critical for the manufacturing industry, an important economic contributor largely made up of Small and Medium Enterprises (SMEs) that mostly have the potential to achieve a global presence with the right support.**
- **Realising the above issues, Malaysia has put in place the National Policy on Industry 4.0—Industry4WRD that provides a comprehensive transformation agenda to drive digital transformation of the manufacturing sector.**
- **In light of the above, BPMB's role is to support the Government mandate as an enabler, driving the adoption of Industry 4.0 technologies and ensuring that they are equally accessible to SMEs.**

Impact

- The adoption of new technologies and digitalisation are disrupting both the domestic and international business competitiveness, which in turn fosters a technology-based model of production.
- Therefore, it is imperative to embrace the National Policy on Industry 4.0 — Industry4WRD to propel and sustain future competitiveness especially in the manufacturing sector.

Risk and Opportunities

- Technology and mobility are increasingly shaping consumer and business behaviour. Failure to explore new infrastructure and technology frontiers will erode the Bank's leadership and relevance as a DFI. (Risk)
- Among the potential sectors to finance could be disruptive or groundbreaking technologies that displace an established technology and shakes up the industry. For example, social Artificial Intelligence (AI). Aside from AI, it also includes but is not limited to robotics and automation meant for technology firms or manufacturing companies. (Opportunity)

Our Strategic Response

- We have launched the RM3 billion Industry Digitalisation Transformation Fund (IDTF) focusing on encouraging the development and adoption of Industry 4.0 related technologies — Strategic Thrust 2 (Supporting Government's Strategic Priority Areas).
- Given several global and leading manufacturing countries have already embarked on their Industry 4.0 transformation and are in the advanced stages of implementation, the adoption of advanced technologies will be increasingly robust in the future.
- Hence, it is crucial for BPMB as Malaysia's leading DFI to support the Government by accelerating the adoption of Industry 4.0 related technologies moving forward.

Inclusivity

- **Our economic growth potential is not fully realised and our economy is not sufficiently diversified causing disparities to widen between income groups, ethnicities and regional developments.**
- **Hence, the Shared Prosperity Vision (SPV) 2030 comes to light as the new development narrative for Malaysia that envisages an inclusive economic growth to promote fair and equitable distribution across income groups, ethnicities, regions and supply chains.**
- **As a DFI, providing holistic financing encompassing sustainable and inclusive growth will be among the key priorities of BPMB going forward.**

Impact

- The inclusivity approach is expected to provide more opportunities for all to improve their standard of living, thereby contributing to economic growth, poverty reduction and the mitigation of extreme inequalities.
- Going forward, the Bank will strive to achieve an inclusive growth model that will include an investment infrastructure to attain sustainable economic progress, expand opportunities to the unserved and underserved markets and increase access to basic productive assets.

Risk and Opportunities

- Shift in political agenda that leads to unanticipated changes in acts, regulations or socio-economic focus will expose BPMB to strategic risk as such its business strategy may be inappropriate or the execution may adversely impact the Bank's productivity and profitability. (Risk)
- By advocating the inclusivity approach as outlined in the SPV 2030, there will be broader opportunities for the Bank to diversify its portfolio away from its traditional sectors by taking part in building resilient key new sectors. (Opportunity)

Our Strategic Response

- In response to the Government initiative, BPMB's 3-Year Strategic Plan 2020–2022 is developed in line with the National Blueprint and SPV 2030. (Strategic Thrusts 1 and 2)
- The Bank will continue to play a role in helping Malaysia achieve developed and high-income nation status, while at the same time creating more positive socio-economic impact.

Economic

- **The slowdown in global economic growth in 2019 was mainly led by the US-China trade dispute which not only pulled back global trade and manufacturing sector growth but also caused volatility in the financial markets.**
- **Challenges in the business environment have intensified against uncertainties in the macroeconomic and geopolitical spheres leading to deteriorated business sentiment as indicated by MIER Business Condition Index over the year.**
- **As a DFI, providing holistic financing encompassing sustainable and inclusive growth will be key priorities for BPMB going forward as this approach is more relevant in addressing the socio-economic problems compounded by global current affairs.**

Impact

- Greater uncertainties caused by the trade tensions led to worsening business sentiments and delayed investment decisions, particularly for export-oriented companies.
- Financing performance/approvals deteriorated and slower credit growth was recorded in specific segments given the tough market realities which gave rise to the risk of cash flow strain among businesses to meet their debt obligations.

Risk and Opportunities

- Given the region's economic prospects are vulnerable towards the US-China trade tensions and the slowing down of economic momentum across the globe, BPMB may be exposed to market risk, a loss due to a change in the values of assets and liabilities held. (Risk)
- Malaysia's long-term growth: growing affluence, urbanisation, consumption and infrastructure investments and generally favourable demographics present opportunities for the Bank. (Opportunity)

Our Strategic Response

- In view of the changing economic landscape and global megatrends that are affecting the world, BPMB has developed its 3-Year Strategic Transformation Plan by focusing on three strategic thrusts:
  1) Embracing Paradigm Shift;
  2) Supporting Government's Strategic Priority Areas; and
  3) Adhering to Islamic Principles.
- BPMB will focus on impact delivery, going beyond the financial viability of projects while continuing to play counter-cyclical roles to provide purposeful lending.

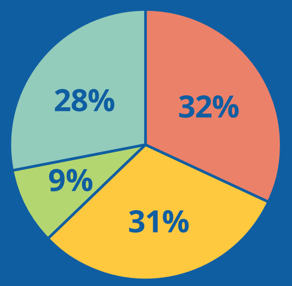
Our Value Creating Business Model

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

Our ecosystem of sound financial resources

Our Sources of Funding—Pool of Both Internal and External Funds

Through capital management excellence, we have nurtured and created an ecosystem of sound financial resources over the years which are tapped into to create and support specialised schemes for development.



SHAREHOLDERS FUNDS
RM7.7 BIL

REDEEMABLE NOTES/ SUKUK
RM7.3 BIL

LONG-TERM BORROWING
RM2.2 BIL

DEPOSITS FROM CUSTOMERS AND FIs
RM6.5 BIL

Dedicated schemes we create

Government Dedicated Schemes—Interest/Finance Income and Cost Differential Subsidies

We channel our financial resources to create dedicated schemes for development. The Government provides compensation through subsidies for financing rate of up to 2% and differential in funding cost on the approved financing.

INDUSTRY DIGITALISATION TRANSFORMATION FUND (IDTF)
RM3.0 BIL

MARITIME FUND 2.0 (MF 2.0)
RM1.5 BIL

SUSTAINABLE DEVELOPMENT FINANCING FUND (SDFF)
RM1.0 BIL

TOURISM INFRASTRUCTURE FUND 2.0 (TIF 2.0)
RM1.0 BIL

PUBLIC TRANSPORT FUND 2.0 (PTF 2.0)
RM0.5 BIL

Transforming funds into value creation

Our Resources

We rely on our unique blend of strengths and resources to transform our funds into impact and value creation for all stakeholders.

1. Specialised skillset and knowledge
2. Strong relationship with the Government
3. Dedicated client management
4. Organisational excellence (sound IT system and talent management)
5. Sound financial standing

Strategic Thrusts

To ensure successful delivery on our mission of impactful delivery with strategic outcomes, we are rallying the organisation through three strategic thrusts.

EMBRACING PARADIGM SHIFT

SUPPORTING GOVERNMENT'S STRATEGIC PRIORITY AREAS

ADHERING TO ISLAMIC PRINCIPLES

See more: Our Strategy
pages 22 and 23

Impact we create

Non-Financial Performance

Financing to underserved and unserved segments
20.71%

Design Additionalities Private Investment Crowd-In
7.25%

Social Cost and Benefit
SDI: (15.10%) OI: 0.56
NSC: (RM113.2 MIL)

Contributing to SDGs

7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 13 CLIMATE ACTION

Financial Performance

Profit Before Tax
RM434.7 MIL

Cost to Income Ratio
15.04%

ROE/ROA
4.20%/1.29%

Gross Impaired Financing Ratio
12.18%

RWCR
38.83%

See more: Performance
pages 18 to 31

Our differentiating factors Governance | Culture | Commitment to sustainability

Stakeholders benefitting Social | Businesses

Our Strategy

Crucial groundwork commenced in 2019, when BPMB entered the development phase before we officially embarked on our 3-Year Strategic Plan 2020–2022.

Our Strategy

VISION: Malaysia's leading developmental partner

MISSION: Impactful delivery with strategic outcomes

CORE VALUES: Back-to-Basic Principles

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

STRATEGIC THRUSTS

1. Embracing Paradigm Shift
2. Supporting Government's Strategic Priority Areas
3. Adhering to Islamic Principles

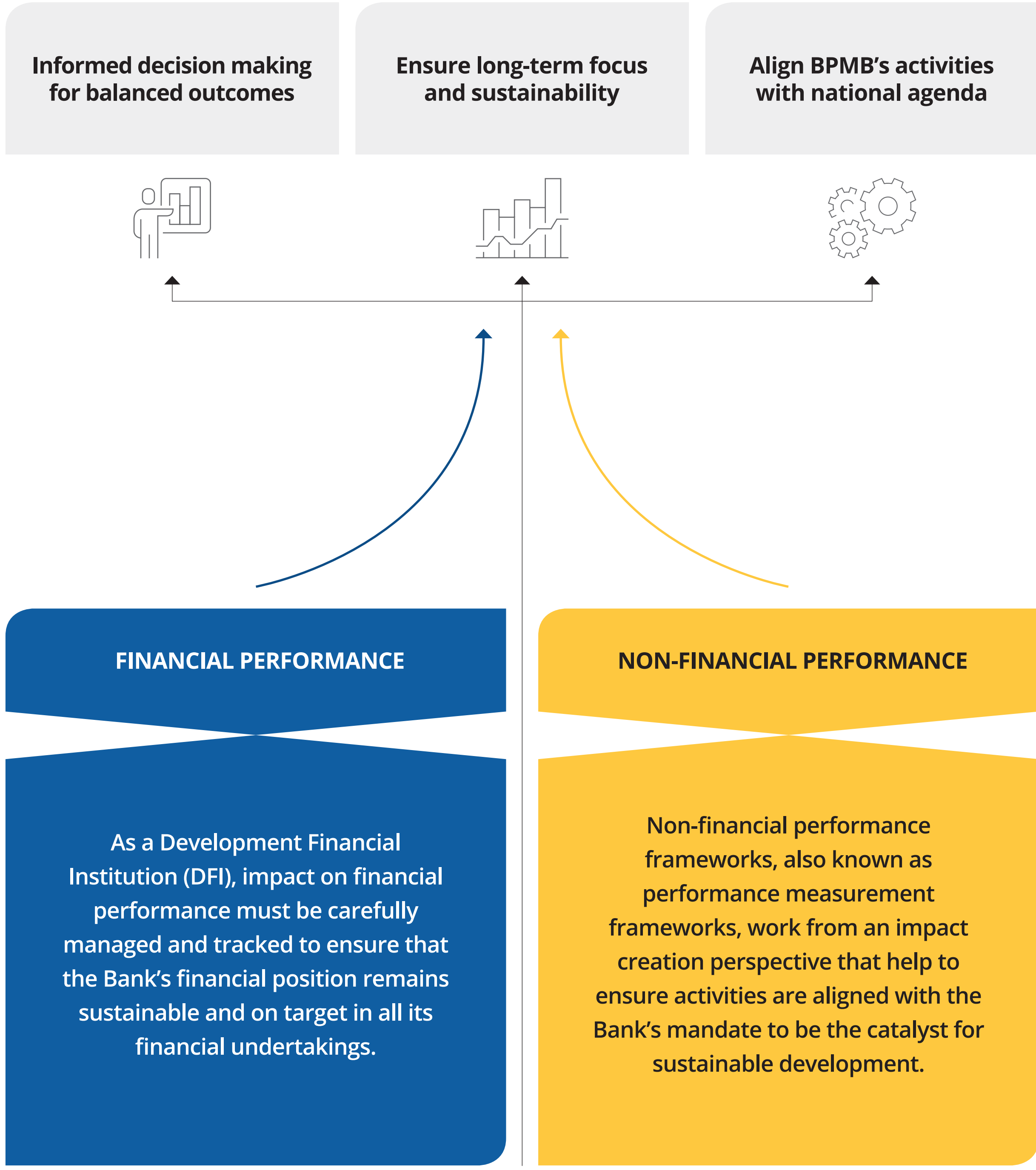
	1. Embracing Paradigm Shift	2. Supporting Government's Strategic Priority Areas	3. Adhering to Islamic Principles
Strategic thrusts	• Holistic impact-focusing approach anchored on two main elements: – Impact to Nation/SDGs – Impact to Financial Sustainability • Turning into a "Policy Bank" to be the Government's thought leadership partner • Promoting a success maximisation mindset instead of focusing on risk mitigation • Becoming a catalyst for national development and solution-driven organisation • Partnering and learning with reputable and multilateral organisations	• Supporting the development of Malaysia's policies i.e. Malaysia Plans, National Blueprints and Shared Prosperity Vision • Spearheading and advocating the Government's strategic priority areas • Serving the unserved and underserved with emphasis on development impact • Promoting ethical banking through impact financing aligned to sustainability	• Creating greater socio-economic impact • Shariah-compliant financing and solutions in line with impact-focusing approach
Milestones achieved in FY2019	• Completion of end-to-end Project Evaluation & Impact Assessment Framework with World Bank • Sponsorship of the SDG Summit in collaboration with the UN • Adoption of Integrated Talent Management Framework consisting of 16 projects	• Allocation of Special Funds targeted at Sustainability, Inclusivity and Digitalisation • Adopted two additionalities indicators as promoted by Bank Negara Malaysia	• Eight accounts successfully converted from conventional loans into Islamic financing • 68.5% of BPMB's financing portfolio comprises Islamic financing
What we aim to do in the future	• Continuous improvement and leadership in Project Evaluation & Impact Assessment Framework • Participate in policy making and play an advocacy role to the Government • Continuous strategic partnerships with renowned organisations • Become a centre of excellence in development finance	• Nurture potential in future projects to be high on the scale of Impact to Nation/SDGs and Financial Sustainability • Adoption of all seven additionalities indicators as promoted by Bank Negara Malaysia	• Complete implementation plan covering eight areas and 20 initiatives • Implement structural solution for treatment of any Shariah non-compliant income post becoming a full-fledged Islamic Development Financial Institution • Become a champion of ethical banking

As we embark on our new performance measurement framework journey in 2019, we will strive to continually review new indicators and establish further targets relevant to our vision and mission.

Measurement Framework

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

Twin Track to Sustainable Performance



See more: Performance pages 18 to 31

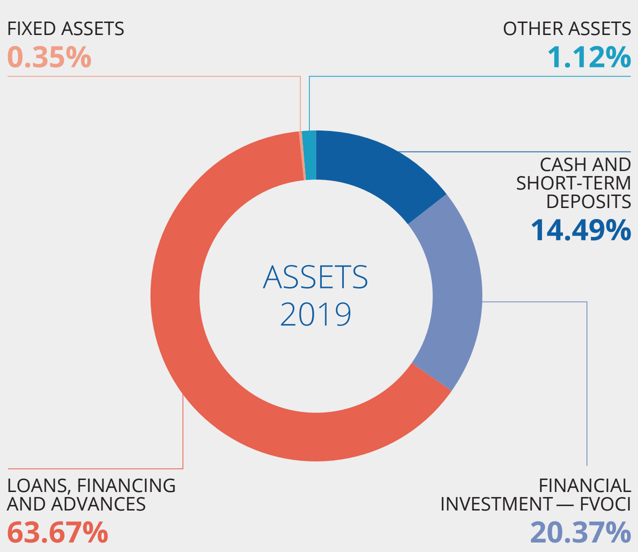
Five-Year Group Financial Summary

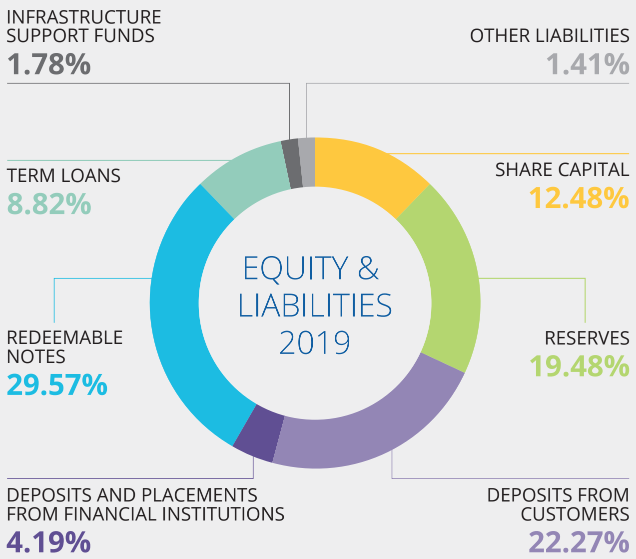
	2019	2018	2017	2016	2015
PROFITABILITY (RM Million)					
Profit before tax and zakat	380	261	325	208	406
Net profit/(loss) for the year	252	167	213	231	(13)
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM Million)					
Total assets	**24,663**	**24,734**	**26,999**	**26,861**	**27,298**
Cash and total deposits and placements	3,574	2,350	1,718	1,296	1,471
Financial investment—FVOCI	5,024	3,720	–	–	–
Financial investment—Available for sale (AFS)	–	–	5,224	3,697	2,099
Financial investment—Held to maturity (HTM)	–	–	–	186	184
Loans, financing and advances	15,702	18,285	19,743	21,210	22,757
Other assets	363	379	314	472	787
Total liabilities	**16,768**	**17,183**	**19,272**	**19,278**	**19,710**
Deposits from customers and financial institution	6,525	6,513	8,160	9,760	8,198
Bill and acceptance payable	–	–	249	–	1,742
Redeemable notes	7,293	7,344	7,393	5,920	4,353
Borrowings	2,176	2,682	2,784	2,944	4,613
Infrastructure support funds	439	304	304	307	337
Deferred income	212	220	227	234	240
Other liabilities	123	120	155	113	227
Total equity	**7,895**	**7,551**	**7,727**	**7,583**	**7,588**
Paid-up capital	3,079	3,079	3,079	3,079	3,079
Reserves	4,804	4,456	4,629	4,472	4,484
Non-controlling interest	12	16	19	32	25
Commitments and contingencies	**7,532**	**6,258**	**9,335**	**8,351**	**5,138**
SHARE INFORMATION (Per share (sen))					
Earnings per share	8.18	5.56	7.34	7.08	0.36
Gross dividends (sen)	**4.94**	**3.25**	**3.25**	**3.25**	**–**
Normal (sen)	3.25	3.25	3.25	3.25	–
Special (sen)	1.69	–	–	–	–
FINANCIAL RATIOS (%)					
Profitability ratios (%)					
Return on equity	3.26	2.19	2.76	3.05	(0.17)
Return on assets	1.02	0.65	0.79	0.86	(0.04)
Cost to income ratio	16.54	13.09	11.28	13.03	24.06
Asset quality ratios (%)					
Gross impaired loans, financing and advances ratio	12.15	10.95	12.15	15.02	11.14
Net impaired loans, financing and advances ratio	4.88	4.89	4.99	6.33	5.78

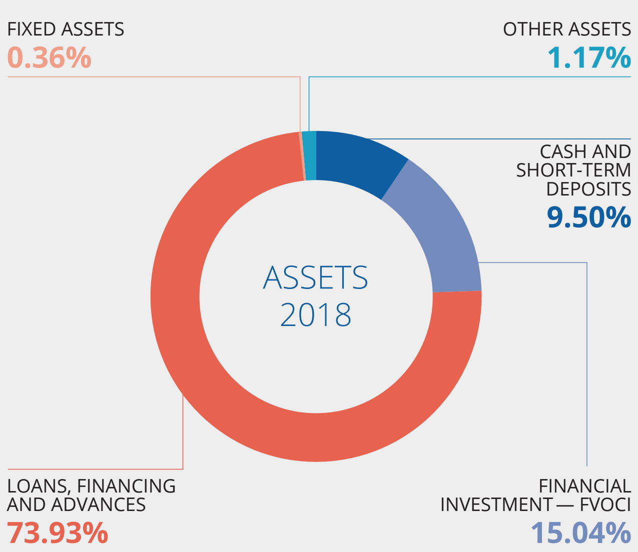
Financial Highlights

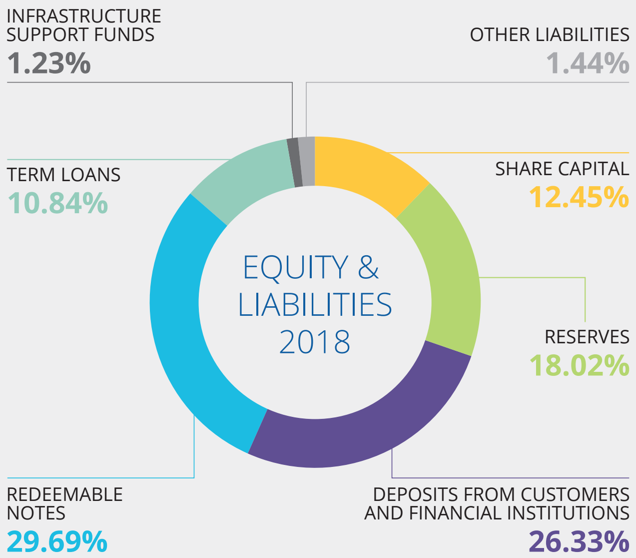
	Group		Bank	
	2019	2018	2019	2018
PROFITABILITY (RM Million)				
Profit before tax and zakat	380	261	435	218
Net profit for the year	252	167	315	136
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM Million)				
Total assets	**24,663**	**24,734**	**24,411**	**24,459**
Total deposits and placements	3,574	2,350	3,254	2,020
Financial investment—FVOCI	5,024	3,720	5,019	3,717
Investment in subsidiaries	–	–	255	257
Loans, financing and advances	15,702	18,285	15,546	18,128
Other assets	363	379	337	337
Total liabilities	**16,768**	**17,183**	**16,725**	**17,141**
Deposits from customers and financial institutions	6,525	6,513	6,525	6,513
Redeemable notes	7,293	7,344	7,293	7,344
Borrowing	2,176	2,682	2,176	2,682
Infrastructure support funds	439	304	439	304
Deferred income	212	220	212	220
Other liabilities	123	120	80	78
Total equity	**7,895**	**7,551**	**7,686**	**7,318**
Paid-up capital	3,079	3,079	3,079	3,079
Reserves	4,804	4,456	4,607	4,239
Non-controlling interest	12	16	–	–
Commitments and contingencies	**7,532**	**6,258**	**7,313**	**6,047**
SHARE INFORMATION				
Earnings per share—basic (sen)	8.18	5.56	–	–
Gross dividends (sen)	**4.94**	**3.25**	**4.94**	**3.25**
Normal (sen)	3.25	3.25	3.25	3.25
Special (sen)	1.69	–	1.69	–
FINANCIAL RATIOS (%)				
Profitability ratios (%)				
Return on equity	3.26	2.19	4.20	1.84
Return on assets	1.02	0.65	1.29	0.53
Cost to income ratio	16.54	13.09	15.04	12.92
Capital adequacy (%)				
Risk weighted capital ratio (RWCR)	–	–	38.83	37.45
Core capital ratio	–	–	32.35	31.22
Asset quality ratios (%)				
Gross impaired loans, financing and advances ratio	12.15	10.95	12.18	10.91
Net impaired loans, financing and advances ratio	4.88	4.89	4.92	4.93

Group Statement of Financial Position





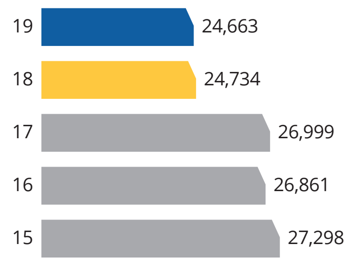




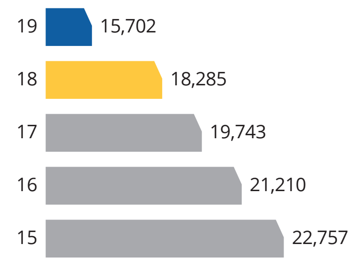
Five-Year Group Growth Trajectory

This is a snapshot of the five-year group growth trajectory across key indices.

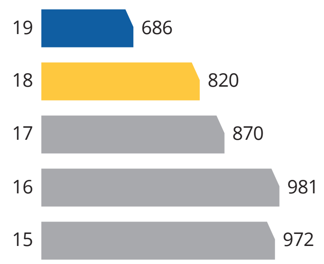
TOTAL ASSETS
24,663
RM MIL



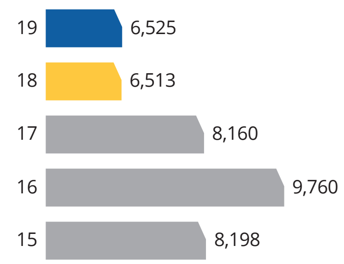
NET LOANS, FINANCING AND ADVANCES
15,702
RM MIL



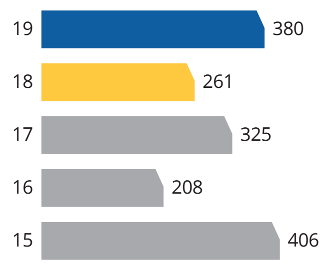
NET INCOME
686
RM MIL



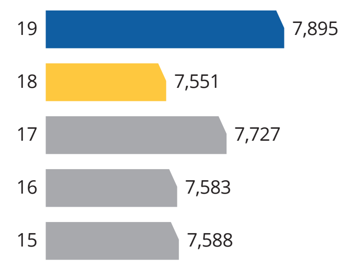
DEPOSITS FROM CUSTOMERS & FINANCIAL INSTITUTIONS
6,525
RM MIL



PROFIT BEFORE TAX & ZAKAT
380
RM MIL



TOTAL EQUITY
7,895
RM MIL



Non-Financial Performance

Making a positive impact beyond monetary terms is a top priority at BPMB, demonstrated by our clear performance measurement framework. Designed with sound metrics, we can track and promote our non-financial performance effectively.

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

a. **Additionalities**

b. **Social Cost and Benefit**

a. Additionalities

Non-financial performance focuses on BPMB's long-term impact. And the measure of impact falls mostly in the additionalities component. BPMB measures its impact over time as a gauge of whether the impact we create today i.e. short-term impact (Development Output) generates a synergistic effect in the medium to long term (Development Outcomes). To this end, BPMB reports on the following:

Indicator	FY2019 Target	FY2019 Performance
Impact created in the short term (Development Output)		
Financial additionalities Financing to the unserved and underserved segments $\frac{\text{Portfolio (excluding Kuala Lumpur, Putrajaya, Selangor, Penang \& Johor)}}{\text{Total portfolio}}$	**30.00%**	**20.71%** • Majority of the financing was still concentrated in Kuala Lumpur, Putrajaya, Selangor, Penang & Johor.
Policy additionalities Policy participation Policy advice by DFIs taken up by the Government	There is no target for policy additionalities.	**2 out of 7 proposals** • 2 out of 7 proposals submitted were accepted and announced in the National Budget 2020. They were: – To increase SDFF from RM1 billion to RM2 billion; and – To rename Maritime Fund to Maritime & Logistics Fund.
Impact created in the medium to long term (Development Outcomes)		
Demonstration additionalities Syndication/Private Investment Crowd-In $\frac{\text{Total syndicated financing}}{\text{Total portfolio}}$	**5.00%**	**7.25%** • Exceeded Private Investment Crowd-In target.

b. Social Cost and Benefit

BPMB also measures our effectiveness in using public resources to deliver on our mandate. This is achieved using the following metrics:

Indicator	FY2019 Target	FY2019 Performance
Subsidy Dependence Index (SDI) Measure DFI's level of self-sustainability in relation to government assistances	Adoption of this additionalities element is only scheduled gradually in 2020–2022 as planned.	**(15.10%)** • The SDI for 2019 is 20.9% lower than the figure in 2018 indicating BPMB was less dependent on the Government's financial assistance. This was driven by higher Profit Before Tax (PBT) and reduced government assistance i.e. government compensation scheme. • The strategy moving forward is to maintain a lower SDI, by maintaining a higher PBT and achieving higher financing disbursements.
Output Index (OI) Measures the DFI in fulfilling social objectives i.e. financing targeted sectors	Adoption of this additionalities element is only scheduled gradually in 2020–2022 as planned.	**0.56** • BPMB achieved an OI of less than 1 for both 2019 as well as 2018. An OI below 1 indicates that more funds have been channelled towards the targeted segments rather than non-targeted segments.
Net Subsidy Cost (NSC) Measures the effective weighted cost of the subsidy (government assistance) to the society against the OI. The lower the NSC the better, indicating effective social gain as the subsidy reaches more targeted sectors	Adoption of this additionalities element is only scheduled gradually in 2020–2022 as planned.	**(RM113.2 MIL)** • The NSC for 2019 was lower compared to 2018 driven by higher PBT for the year. • The NSC for both years was lower than the subsidy indicating effective social gain as the subsidy reached more targeted segments. • The strategy moving forward is to maintain a lower NSC, by maintaining a higher PBT and lower OI and other forms of assistance.

Board of Directors

Seated from right to left:
Datuk Zaiton Mohd Hassan Non-Executive Chairman/Independent Non-Executive Director;
Tan Lye Sim Independent Non-Executive Director; **Tan Sri Dr Rahamat Bivi Yusoff** Independent Non-Executive Director;

Standing from right to left:
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah Independent Non-Executive Director;
Dr Mohamed Ashraf Mohamed Iqbal Independent Non-Executive Director; **Dato' Othman Semail** Non-Independent Non-Executive Director; **Ariff Rozhan** Independent Non-Executive Director.

DATUK ZAITON MOHD HASSAN

Non-Executive Chairman/Independent Non-Executive Director

Date of Appointment

18 February 2019

Qualifications

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

Areas of Expertise

- Banking, Accounting, Finance

Relevant Experience

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

She set up Malaysian Rating Corporation Bhd (MARC) in 1996 and was its President/Executive Director for eight (8) years. She was also responsible for the establishment of the Malaysia Professional Accountancy Centre (MyPAC) in 2015 and is currently its Chief Executive Officer.

Datuk Zaiton's extensive experience as an independent director includes chairing the Group Governance & Audit Committees of Sime Darby Plantation Berhad and Lembaga Tabung Haji. She is currently the Chairman of Private Pension Administrator Malaysia and Vice Chairman of FIDE Forum.

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

Directorships in Public Companies/ Subsidiaries of Public Companies

- Director of Sime Darby Plantation Berhad

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Member of Group Nomination & Remuneration Committee
- Member of Credit Committee of the Board
- Member of Group Risk Management Committee
- Member of Group Audit & Examination Committee

Declaration

Datuk Zaiton has no

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

TAN SRI DR RAHAMAT BIVI YUSOFF

Independent Non-Executive Director

Date of Appointment

1 October 2018

Qualifications

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

Areas of Expertise

- Economy, Finance, Macro Development, Government Projects

Relevant Experience

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

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

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

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

Directorships in Public Companies/ Subsidiaries of Public Companies

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

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Chairperson of Group Nomination & Remuneration Committee
- Chairperson of Group Audit and Examination Committee

Declaration

Tan Sri Dr Rahamat Bivi has no

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

Board of Directors

TAN LYE SIM

Independent Non-Executive Director

Date of Appointment

15 September 2018

Qualifications

- Fellow of the Association of Chartered Certified Accountants

Areas of Expertise

- Risk Management, Banking, Accounting

Relevant Experience

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

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

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

Tan currently does not hold any directorship in other companies.

Directorships in Public Companies/ Subsidiaries of Public Companies

- Nil

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Chairperson of Group Risk Management Committee
- Member of Group Audit & Examination Committee

Declaration

Tan Lye Sim has no

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

DATO' OTHMAN SEMAIL

Non-Independent Non-Executive Director

Date of Appointment

22 January 2019

Qualifications

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

Areas of Expertise

- Agriculture, Procurement, Public Sector

Relevant Experience

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

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

He is currently a Director of Lembaga Pembangunan Perindustrian Malaysia, Perbadanan Kemajuan Negeri Selangor, Capital Market Development Fund and several other private companies. He is also an Advisor of Dewan Bandaraya Kuala Lumpur.

Directorships in Public Companies/ Subsidiaries of Public Companies

- Chairman of Technology Depository Agency Berhad

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Member of Group Nomination & Remuneration Committee
- Member of Credit Committee of the Board

Declaration

Dato' Othman has no

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

DR MOHAMED ASHRAF MOHAMED IQBAL

Independent Non-Executive Director

Date of Appointment

1 February 2019

Qualifications

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

Areas of Expertise

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

Relevant Experience

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

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

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

He is currently a Member of Shariah Committee of HSBC Amanah Malaysia Berhad and Director of FIDE Forum and USAINS Holding Sdn Bhd.

Directorships in Public Companies/ Subsidiaries of Public Companies

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

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Chairman of Credit Committee of the Board
- Member of Group Risk Management Committee
- Member of Group Nomination & Remuneration Committee

Declaration

Dr Mohamed Ashraf has no

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

DATO' WAN MOHD FADZMI CHE WAN OTHMAN FADZILAH

Independent Non-Executive Director

Date of Appointment

25 April 2019

Qualifications

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

Areas of Expertise

- Banking (commercial and development banks), Economics, Agriculture

Relevant Experience

Dato' Wan Mohd Fadzmi is a professional banker with over 25 years of experience in domestic and international banking. His career began in Melbourne, Australia as a Cost Estimator with Peter Slattery & Co in March 1986. Upon his return to Malaysia in 1988, Dato' Wan Mohd Fadzmi joined Malayan Banking Berhad (MBB) and held various positions at MBB's head office until December 1994.

In December 1994, Dato' Wan Mohd Fadzmi moved to MBB's London branch as its Credit & Marketing Manager. This was followed by his appointment as General Manager/Country Head of the London branch in September 1999 where he was responsible for the UK operations. Dato' Wan Mohd Fadzmi then spent three years as MBB's New York General Manager/Country Head and had the overall responsibility for the New York City branch's banking operations.

Dato' Wan Mohd Fadzmi then returned to the head office in Malaysia to helm Overseas Operations in November 2005 before leaving for the Republic of China in September 2006. He spent the following four years as the General Manager/Chief Executive of MBB's Hong Kong branch. Thereafter, he joined RHB Bank as Director, Global Business Banking Strategic Business Group in July 2010 where he was responsible for RHB's international banking operations comprising branches in Singapore, Thailand and Brunei Darussalam.

Dato' Wan Mohd Fadzmi was then appointed as the President/ Chief Executive Officer of Bank Pertanian (M) Berhad (Agrobank) in July 2011 until August 2017 and was fully responsible for leading Agrobank's full operations via 188 outlets in Peninsular Malaysia, Sabah and Sarawak. Dato' Wan Mohd Fadzmi has received many accolades in his career including Outstanding CEO 2017 from Association Development Financial Institution in Asia Pacific (ADFIAP) in Macau, China and CEO of the Year at the Global Islamic Finance Awards (GIFA) 2016 in Jakarta, Indonesia.

Directorships in Public Companies/ Subsidiaries of Public Companies

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

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Member of Credit Committee of the Board
- Member of Group Risk Management Committee

Declaration

Dato' Wan Mohd Fadzmi has no

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

Board of Directors

ARIFF ROZHAN

Independent Non-Executive Director

Date of Appointment

10 May 2019

Qualifications

- LLB (Honours) from Reading University, Berks, England
- Barrister at law, Advocate and Solicitor
- Fellow of the Chartered Institute of Arbitrators

Areas of Expertise

- Legal and Litigation

Relevant Experience

Ariff has practiced law for nearly 30 years. He began his career in 1989 at an international city law firm in London, and thereafter, practiced as a Barrister in London, England until 2004 when he returned to Malaysia and practiced as an advocate and solicitor of the High Court of Malaya.

In Malaysia, he was a partner at Zaid Ibrahim & Co (ZICO), where he managed the firm's Dispute Resolution department and was also on the Executive Committee. He founded Ariff Rozhan & Co in April 2015 and is now its Managing Partner. Ariff also set up the Chambers of Ariff Rozhan in London, England, in 2015 from where he practices as a Barrister. Ariff has also been authorised by the Bar Council of England & Wales to "Conduct Litigation" and is registered to accept instructions via Direct Access.

Ariff has experience as counsel and solicitor in complex claims and disputes in a wide range of fields, including arbitration, corporate and commercial disputes, insurance and reinsurance, banking, administrative, insolvency, construction and contractual matters. He also has extensive experience in forensic investigations, forensic due diligence, and cases involving issues of regulatory and statutory compliance. His clients include both local and international banks, major local and international corporations, statutory bodies, local authorities and local and international conglomerates in various industries.

He is currently the Managing Partner of Ariff Rozhan & Co.

Directorships in Public Companies/ Subsidiaries of Public Companies

- Director of Pan Malaysia Corporation Berhad

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Member of Group Nomination & Remuneration Committee
- Member of Group Audit & Examination Committee

Declaration

Ariff has no

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

President/Group Chief Executive Officer

ARSHAD MOHAMED ISMAIL

President/Group Chief Executive Officer

Date of Appointment

8 April 2019

Qualifications

- LLB (Honours) from the International Islamic University Malaysia
- MBA from the London Business School, United Kingdom

Areas of Expertise

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

Relevant Experience

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

In early 2003, he joined CIMB Islamic Bank Berhad as one of its pioneer members where he focused on Sukuk origination and execution before relocating to the United Arab Emirates in late 2004 to join HSBC Amanah as the Head of Islamic Capital Market. At HSBC Amanah, Arshad and his team originated and worked on many innovative and groundbreaking Sukuk transactions in the Gulf Cooperation Council region and South East Asia. The other roles he has held include Head of Asset Management at Aayan Capital, a boutique investment bank based in Jeddah, Saudi Arabia and Head of Corporate Finance and Advisory at Al Hilal Bank, an Islamic bank based in Abu Dhabi.

Arshad returned to Malaysia in 2011 to join the International Islamic Liquidity Management Corporation (IILM) as Executive Director, Origination and Structuring.

Directorships in Public Companies/ Subsidiaries of Public Companies

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

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Nil

Declaration

Arshad has no

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

Shariah Committee

ASSOCIATE PROFESSOR DR AZNAN HASAN

Chairman

Date of Appointment
1 April 2017

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

Relevant Experience
Dr Aznan is currently an Associate Professor at the IIUM Institute of Islamic Banking and Finance, International Islamic University of Malaysia. He teaches post-graduate level students and specialises in the subjects of Shariah such as Islamic commercial law, Islamic legal maxims and other related areas of Islamic banking and finance.

Dr Aznan is a renowned Shariah scholar locally as well as in the international arena in the field of Islamic finance. He has an extensive experience and involvement in Shariah advisory for approximately 15 years, where he has served as a Shariah advisor and consultant to various financial institutions, corporate entities, government agencies and regulatory authorities. He was involved in advising and approving various Islamic financial products in the banking, capital market and takaful industries. He has also conducted and published more than 40 researches and presented more than 100 presentations on Shariah and Islamic finance world-wide.

Currently, Dr Aznan serves as the President of the Association of Shariah Advisors in Islamic Finance. He is also the Deputy Chairman of the Shariah Advisory Council of the Securities Commission Malaysia and the Chairman of the Shariah Committee of Maybank Islamic Berhad.

ASSISTANT PROFESSOR DR MISZAIRI SITIRIS

Member

Date of Appointment
1 October 2008

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

Relevant Experience
Dr Miszairi is currently an Assistant Professor in the Department of *Fiqh* and *Usul Al-Fiqh* at the Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University of Malaysia. He teaches several subjects on Shariah and has written a number of research papers. In line with his interest on Islamic finance, he has also supervised postgraduate thesis on takaful and is teaching at IIUM Institute of Islamic Banking and Finance on part-time basis. He is occasionally involved as a trainer and facilitator on Shariah subjects in Islamic banking and finance courses. He participates actively in Shariah and Islamic finance conferences.

Currently, Dr Miszairi is a member of the Association of Shariah Advisors in Islamic Finance.

ASSOCIATE PROFESSOR DR NORAINI MOHD ARIFFIN

Member

Date of Appointment
13 June 2012

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

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

Dr Noraini has published numerous articles related to Islamic accounting and finance, mainly on risk management for Islamic banks and corporate governance of Islamic banks. She recently co-authored a book entitled 'Accounting for Islamic Banks'. She has participated as a speaker at national and international conferences. She has also been involved in consultancy projects to develop Islamic banking regulations in a few developing countries. She is occasionally involved as a trainer in Shariah audit and accounting for Islamic banks' courses.

Currently, Dr Noraini is the Treasurer of the Association of Shariah Advisors in Islamic Finance and also an Associate Member of the Malaysian Institute of Accountants. She is also a member of the Audit Committee for IIUM Holdings Sdn Bhd, a subsidiary of IIUM.

Shariah Committee

DR AHMAD BASRI IBRAHIM

Member

Date of Appointment
1 April 2017

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

Relevant Experience
Dr Ahmad Basri is currently Vice President and Head of Shariah Management at Permodalan Nasional Berhad (PNB). He leads and oversees a team in-charge of Shariah matters in unit trust funds management. Prior to this, he was an Associate Professor at the Department of *Fiqh and Usul Al-Fiqh* at the Kulliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University of Malaysia. He used to teach subjects of Shariah such as *Usul Al-Fiqh*, Islamic criminal law, introduction to *Fiqh* and his research areas of interest includes Islamic law of transactions, Islamic political system and Islamic legal maxims.

Dr Ahmad Basri has wide experience in Shariah advisory as he has previously served as chairman and member of Shariah Committee of a number of Islamic financial institutions in Islamic banking and takaful industries. He has conducted researches as well as published articles and book chapters. He has also been invited to present papers and training on Shariah and Islamic finance in conferences.

Currently, Dr Ahmad Basri is a member of the Association of Shariah Advisors in Islamic Finance. He is also a member of the Shariah Committee of RHB Islamic Bank Berhad.

USTAZ MOHD FADHLY MD YUSOFF

Member

Date of Appointment
1 April 2017

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

Relevant Experience
Ustaz Mohd Fadhly currently runs his own business and is also an independent Shariah advisor and consultant. Prior to this, he was previously a manager with the Islamic Capital Market Department in Securities Commission Malaysia where he had served for 12 years. He was responsible for managing, supervising and monitoring Shariah compliance requirements of Islamic product structures in relation to submissions for issuance of Sukuk, structured products, collective investments and Islamic real estate investment trusts. He was also in charge of research and development activities in relation to Islamic capital market products and outlined the criteria and manuals for Islamic securities. He was involved in reviewing and providing technical inputs for preparation of Islamic capital market guidelines.

Ustaz Mohd Fadhly was appointed as a consultant for the Islamic Capital Market Department after he left the Securities Commission. He was also appointed as Shariah advisor and consultant by a number of educational, non-governmental organisations and financial institutions. On the capacity building front, he is involved in reviewing Shariah and Islamic finance curriculum and syllabus for human capital development and training providers. He is also an accredited trainer for Islamic Finance Qualification by the Chartered Institute for Securities and Investment.

Currently, Ustaz Mohd Fadhly is a member of the Association of Shariah Advisors in Islamic Finance. He is also a Shariah Committee member of RHB Islamic Bank Berhad and Sun Life Takaful Berhad.

Group Management Committee

Chairman

ARSHAD MOHAMED ISMAIL
Chairman of GMC/President/Group Chief Executive Officer/Covering Chief Human Resource Officer

Member

AHMAD MOCHTAR HASHIM
Chief Business Officer

SUFFIAN ABDUL RAHMAN
Chief Compliance Officer

ZULKEEFLI MAD KARIM
Chief Financial Officer

WAN FAIZAH CHE DIN
Group Head, Strategic Planning

HILDAH MOHD HAMZAH
Group Head, Business Products

MUHAMMAD AZRAINI ABDUL HAMID
Group Head, Operations

MOHAMAD SALIHIN DERIS
Group Head, Shariah Management

MUHAMMAD TAUFIQ ABDUL LATIF
Acting Chief Risk Officer

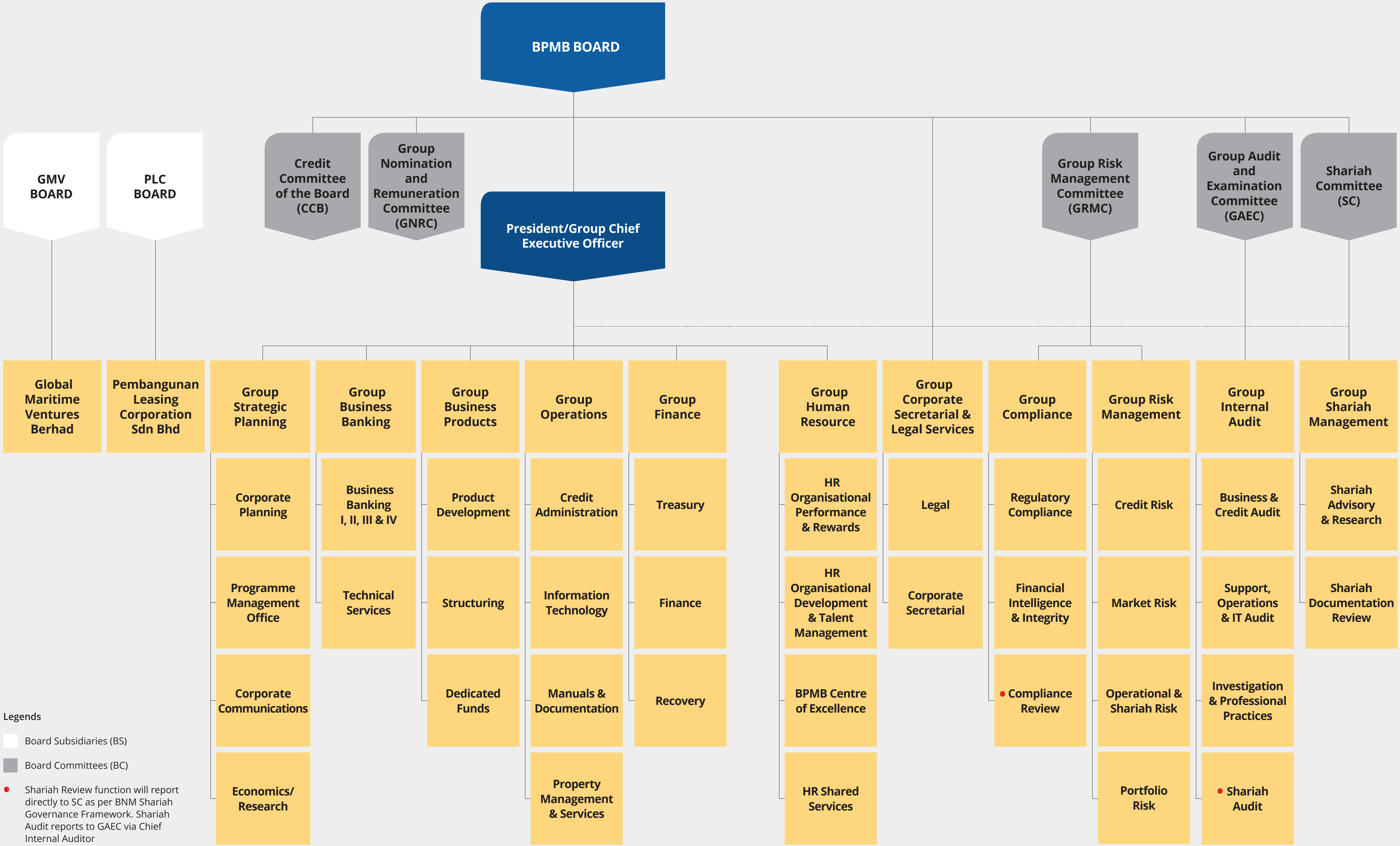
RAZALI HASSAN
Chief Executive Officer, Pembangunan Leasing Corporation Sdn Bhd

In Attendance

MUHAMED NOH KADERAN
Chief Internal Auditor

ZARINA NADZIMUDDIN
General Counsel and Group Company Secretary

Group Organisation Structure



Statement of Corporate Governance

The Board of Directors of Bank Pembangunan Malaysia Berhad is committed to uphold high standards of corporate governance by continuously advocating transparency, accountability, responsibility and integrity, in line with the principles and best practices of Corporate Governance, Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance and primary legislative and regulatory provisions.

Board Composition and Balance

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, which they accumulated while serving the private and government sectors, brings to the Board the essential range of capabilities and experience required to effectively perform its functions. A brief profile of each Director is presented on pages 33 to 36 of the Annual Report.

As at 31 March 2020, the Board comprises seven (7) members with one (1) Non-Executive Chairman/ Independent Non-Executive Director, one (1) Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors. All Independent and Non-Executive Directors are persons of high calibre and integrity to exercise independent judgement and act in the best interest of the Bank. The high proportion of Independent Non-Executive Directors (NEDs) also provides the necessary checks and balances on executive decisions made by the Management. The Board is satisfied no individual or group of Directors has unfettered decision-making powers that will create a potential conflict of interest.

The present composition of the Board is in compliance with the BNM Policy Document on Corporate Governance, as majority of its members are Independent Directors and at least three (3) directors have finance-related or accounting experience.

The appointment/re-appointment of Directors is governed by BNM Guidelines on Corporate Governance for Development Financial Institutions (DFIs), BPMB's Guidelines on Fit and Proper for Board of Directors (Group); and the Bank's Constitution. The Group Nomination and Remuneration Committee (GNRC) reviews and assesses the potential and current Directors' mix of skills, core competencies, experience, integrity and time to effectively discharge his or her role for the purpose of appointments/re-appointments before recommendation is made to the Board for approval. GNRC will also refer to the results of the individual assessments conducted via Directors Self and Peer Assessment for re-appointment of Directors. The application for the appointment/ re-appointment of Directors will be submitted to BNM for approval.

Board Evaluation

The Board had also implemented an annual evaluation in relation to the effectiveness of the Board and Board Committees, as a whole. The Board Effectiveness Evaluation (BEE) is based on a combination of self and peer assessment questionnaire. The questionnaire was adopted by BPMB BOD in line with a set of guidelines MOF issued in December 2014 entitled *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*. The questionnaire will be distributed to all directors and covers topics which include, among others, responsibilities of the Board in relation to business and strategic planning, sustainability, financial reporting, risk management, audit and internal processes, human resources, communication and corporate governance. Other areas assessed include size and composition of Board and Board Oversight Committees, contribution of each Director, quality of Board's decision-making, information and support rendered to the Board and management of meetings.

This exercise is undertaken upon the completion of every financial year and becomes part of supporting document for the fit and proper assessment for re-appointment of the Directors. The feedback and suggestions from the Board will be gathered for deliberation/ information of the GNRC and thereafter presented to the Board for consideration and approval on further professional development plans for the Directors and Board.

Duties and Responsibilities

Based on an independent assessment on Board effectiveness, BPMB meets the requirements of BNM's Corporate Governance Guidelines for Development Financial Institutions. It was also noted that the directors are dedicated and eager to contribute. The directors also report an open and inclusive environment which welcomes independent opinion without rancour. The Board works well and there is a climate of mutual respect. BPMB should also continue its focus on the training and orientation agenda for the directors.

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

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

The Board is guided by the Board Charter in respect of the Board's duties, functions and powers. The Board Charter will be reviewed periodically to incorporate changes to applicable legislations and guidelines. The Board Charter includes, among others the following roles and responsibilities:

- Review, challenge and approve the strategic business plans, taking into account the sustainability of the Group's business, as shown in the 3-Year Strategic Plan;
- Ensure that the Group establishes comprehensive risk management policies and framework, including the Risk Appetite Framework and Risk Appetite Statement for the Group which is regularly reviewed by GRMC;
- Institute comprehensive policies, processes and infrastructure to ensure Shariah compliance in line with BNM's Shariah Governance Framework in all aspects of the Group's business, products and activities;
- Review the adequacy and integrity of the Group's internal controls and management information systems on a regular basis and ensure that there is an effective and satisfactory framework for reporting internal financial controls and regulatory compliance.

There are Board Reserved Matters in the Board Charter, specifically for the Board's decision, including approval of business plan and annual budget, recommendation of dividend, acquisition and disposal of undertaking and properties of substantial values, major investment and financial decisions, changes to the management and control structure within the Group, including policies and delegated authority limits.

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

President/Group Chief Executive Officer

The President/Group Chief Executive Officer (P/GCEO) has the overall executive responsibility in ensuring the day-to-day operations of BPMB Group is effectively and appropriately managed. P/GCEO shall be the conduit between the Board and Management in ensuring the success of BPMB Group's governance and management functions. Key responsibilities of the P/GCEO include the following:

(i) Develop strategic direction;

(ii) Ensure that BPMB Group's strategies and corporate policies are effectively implemented;

(iii) Ensure that the Board's decisions are implemented and the Board's directions are responded to;

(iv) Provide direction in the implementation of short and long-term business plans, i.e. the 3-Year Strategic Transformation Plan;

(v) Provide strong leadership that effectively communicates sound and viable vision, management philosophy and business strategy to the employees; and

(vi) Keep the Board informed of salient aspects and issues concerning BPMB Group's operations and ensuring sufficient information is distributed to Board members.

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

Code of Ethics and Business Conduct for Board of Directors (Group)

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

Board Meeting and Supply of Information

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

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

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

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

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During the financial year ended 31 December 2019, the Board met 18 times. The attendance record of the Directors at the Board Meetings for 2019 is as follows:

Name of Director	No. of Meetings and Attendance
Datuk Zaiton Mohd Hassan Non-Executive Chairman/Independent Non-Executive Director *(appointed w.e.f. 18 February 2019)*	15/16*
Tan Lye Sim Independent Non-Executive Director	18/18
Tan Sri Dr Rahamat Bivi Yusoff Independent Non-Executive Director	17/18
Dato' Othman Semail Non-Independent Non-Executive Director *(appointed w.e.f. 22 January 2019)*	13/17*
Dr Mohamed Ashraf Mohamed Iqbal Independent Non-Executive Director *(appointed w.e.f. 1 February 2019)*	15/16*
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah Independent Non-Executive Director *(appointed w.e.f. 25 April 2019)*	13/13*
Ariff Rozhan Independent Non-Executive Director *(appointed w.e.f. 10 May 2019)*	12/12*
Datuk Seri Hashmuddin Mohammad Non-Independent Non-Executive Director *(ceased w.e.f. 22 January 2019)*	1/1*
Musa Abdul Malek Independent Non-Executive Director *(ceased w.e.f. 12 February 2019)*	2/2*
Suffian Baharuddin Independent Non-Executive Director *(ceased w.e.f. 12 February 2019)*	2/2*
Datuk Wan Azhar Wan Ahmad Independent Non-Executive Director *(resigned w.e.f. 22 February 2019)*	2/2*

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

Training and Development of Directors

All newly appointed Directors are required to attend an induction programme organised by the Management. The Directors will be introduced to the Management team and briefed on the Bank's history, operations and financial performance to enable them to have first-hand understanding of the Bank's operations. At the induction programme, Heads of Functions and Chief Executive Officers of the main subsidiaries will brief the newly appointed Directors on their areas of responsibilities in order to offer the Directors with background knowledge of the Bank as well as a platform to establish personalised interaction with the key Senior Management.

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

The seminars/conferences/training programmes attended by the Directors in the financial year ended 31 December 2019 included the following:

- FIDE Core Programme Module A
- FIDE Core Programme Module B
- Islamic Finance for BOARD of Director Programme
- ICDM International Directors Summit 2019
- 2nd PIDM-FIDE Forum Annual Dialogue with the CEO of PIDM
- Raising Defences – Section 17A, MACC Act
- MKD Directors Talk Series: The Board of Directors of the 21st Century

Directors' Remuneration

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

The remuneration package for the NEDs generally commensurate the expertise, skills, responsibilities and the risks undertaken by the NEDs concerned. All NEDs are paid a fixed monthly director fees and meeting attendance allowance for each Board and Board Committee meeting attended. In addition, NEDs also receive other benefits-in-kind including Directors & Officers Liability Insurance and medical benefits. Remuneration of NEDs shall be decided by the shareholder.

A summary of the total remuneration of the Directors for the financial year ended 31 December 2019 is set out on page 160 to 161 of this Annual Report.

Committees

There are four (4) Board Committees established to assist the Board in discharging its duties and responsibilities, namely the Credit Committee of the Board, Group Audit and Examination Committee, Group Nomination and Remuneration Committee and Group Risk Management Committee.

Credit Committee of the Board

1. Objective

The primary objective of Credit Committee of the Board (CCB) is to provide supervisory and oversight role on all financings/credit-related proposals and investment as per limit set in Bank Pembangunan Malaysia Berhad (BPMB or the Bank) Authority For Credit And Investment Approvals – Group (GACIA) and to ensure adequate risk management processes are in place and functioning effectively.

2. Functions and Responsibilities

- To deliberate, review and if necessary exercise the rights to veto, challenge, reject Group Credit Committee's (GCC) approvals/decisions on all financings/credit-related proposals and investment including the proposed terms and conditions or any variations thereof as per the limit and authority set in GACIA.
- To approve and/or endorse "policy financing" and financing, which are required by statute to be approved by BPMB Board, provided that the initial filter of approval is conducted by GCC.
- To approve all cases of write-offs proposals from BPMB and as prescribed in GACIA. BPMB Board shall be notified on all write-off proposals approved by CCB via minutes of CCB meeting.
- To approve the Terms of Reference (TOR) of GCC. However, the appointment and/or termination of GCC members shall be at the absolute discretion of the Chairman of GCC.
- To perform the credit risk oversight role in a manner that is not compromised and without undue influence from any party.
- To approve and/or endorse any other matters as prescribed in GACIA.
- To consider any other matters as referred by BPMB Board to CCB.

3. Committee Meeting and Attendance

Based on the Terms of Reference of the CCB, CCB may meet twice a month and any ad hoc meetings as and when required. CCB met 17 times during the financial year 2019. The Committee members and their records of attendance are as follows:

Member	No. of Meetings and Attendance
Dr Mohamed Ashraf Mohamed Iqbal *(appointed as Chairman on 1 February 2019)*	16/16*
Datuk Zaiton Mohd Hassan *(appointed as Member w.e.f. 27 February 2019)*	12/15*
Dato' Othman Semail *(appointed as Member w.e.f. 1 February 2019)*	13/16*
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah *(appointed as Member w.e.f. 29 April 2019)*	11/11*
Tan Lye Sim *(ceased as Member w.e.f. 1 June 2019)*	7/7*
Musa Abdul Malek *(re-designated from Chairman to Member w.e.f. 1 February 2019 and ceased as Member w.e.f. 12 February 2019)*	1/1*
Datuk Wan Azhar Wan Ahmad *(ceased as Member w.e.f. 22 February 2019)*	2/2*
Suffian Baharuddin *(ceased as Member w.e.f. 12 February 2019)*	1/1*

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

Group Audit and Examination Committee

1. Objective

The objective of the Group Audit and Examination Committee (GAEC) is to provide independent oversight to review the financial condition of Bank Pembangunan Malaysia Berhad (BPMB or the Bank) and the Group's (BPMB Group) financial reporting processes and internal control and ensuring checks and balances within BPMB Group, performance and findings of the internal auditors and to recommend appropriate remedial action regularly.

2. Functions and Responsibilities

The duties and responsibilities of GAEC shall include the following:

- Recommend to the Board each year on the appointment/reappointment of external auditors, the fee and other matters pertaining to the resignation or termination or change of external auditors.
- Review, with the external auditors:
  - (i) The audit plan;
  - (ii) The evaluation of the system of internal controls;
  - (iii) The audit report;
  - (iv) The Management Letter and Management Response; and

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- (v) The assistance given by Management and staff to the external auditors.
- With regards to the Internal Audit function:
  - (i) Review the adequacy of scope, functions and resources of the Internal Audit function and that it has the necessary authority to carry out its responsibilities;
  - (ii) Review and approve the Internal Audit plan, programme and processes;
  - (iii) Review Audit Reports and consider adequacy of the actions taken by Management on audit findings or recommendations;
  - (iv) To recommend to GNRC and/or Board on the appointment, remuneration package, performance evaluation and termination of the Chief Internal Auditor;
  - (v) Review the effectiveness of the Internal Audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards; and
  - (vi) To review the assessment or findings arising from the Shariah audit and report the non-compliance events to the Shariah Committee and the Board.
- To receive and consider reports relating to the perpetration and prevention of fraud.
- Review the Bank's compliance with the related Government regulations including Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) measures annually;
- To review the quarterly result, half yearly result and the year-end Audited Financial Statements prior to submission to the Board for approval. The review of the year-end Audited Financial Statements by the external auditor shall focus particularly on:
  - (i) Any major changes in the accounting policy or its implementation;
  - (ii) Adequacy of allowance against contingencies, bad and doubtful debts;
  - (iii) Significant and unusual events; and
  - (iv) Compliance with accounting standards and other legal requirements.
- To ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of Audited Financial Statements.
- To discuss any problem or reservations that may arise from the interim and final audits as well as any matter, which the external auditors may wish to discuss, in the absence of Management, where necessary.
- To review any related party transactions and conflict of interest situation that may arise in the Bank or BPMB Group including any transaction, procedure or conduct that raises questions of management integrity.
- To review the accuracy and adequacy of the following documents:
  - (i) Chairman's Statement, corporate governance disclosures and other GAEC report that contain the following information, which shall be published in the Bank's Annual Report:
    - (a) A summary of the activities of the GAEC in the discharge of its functions and duties for the financial year; and
    - (b) A summary of the activities of the Group Internal Audit Function.
  - (ii) Interim financial reports and preliminary announcements in relation to the preparation of Audited Financial Statements.
- To review and endorse the status and progress of Management's responses and corrective measures on issues raised in the Bank Negara Malaysia Examination Report, prior to submission to the Board for approval.
- To inform the Board on the issues and concerns discussed during its Meetings, including those raised by the external auditors and where appropriate, make the necessary recommendation to the Board.
- To deliberate investigation reports in relation to whistleblowing cases and decide on actions to be taken in accordance with the Bank's Code of Conduct and Anti-Bribery and Corruption Policy. BPMB Group is a signatory of the Corporate Integrity Pledge introduced by the Malaysian Anti-Corruption Commission (MACC).
- To approve the TOR and appointment and/or termination of Members of Management Audit and Examination Committee.
- To consider any other matters as referred by BPMB Board to GAEC.

3. Committee Meeting and Attendance

Based on the Terms of Reference of the GAEC, the GAEC shall meet at least six (6) times a year and at any ad-hoc meetings as and when required. GAEC met 6 times during the financial year 2019. The Committee members and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Tan Sri Dr Rahamat Bivi Yusoff *(appointed as Member w.e.f. 1 October 2018 & re-designated from Member to Chairman w.e.f. 1 February 2019)*	6/6
Tan Lye Sim *(appointed as Member w.e.f. 1 February 2019)*	5/5*
Datuk Zaiton Mohd Hassan *(appointed as Member w.e.f. 1 June 2019)*	2/3*
Ariff Rozhan *(appointed as Member w.e.f. 1 June 2019)*	2/3*
Dato' Othman Semail *(appointed as Member w.e.f. 27 February 2019 and ceased as Member w.e.f. 1 June 2019)*	1/2*
Dr Mohamed Ashraf Mohamed Iqbal *(appointed as Member w.e.f. 27 February 2019 and ceased as Member w.e.f. 1 June 2019)*	2/2
Suffian Baharuddin *(re-designated from Chairman to Member w.e.f. 1 February 2019 and ceased as Member w.e.f. 12 February 2019)*	1/1*
Datuk Wan Azhar Wan Ahmad *(ceased as Member w.e.f. 22 February 2019)*	1/1*
Musa Abdul Malek *(ceased as Member w.e.f. 12 February 2019)*	1/1*

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

Group Nomination and Remuneration Committee

1. Objective

The objectives of the Group Nomination and Remuneration Committee (GNRC) are to provide:

(i) A formal and transparent procedure for the appointment and/or re-appointment as well as to assess the effectiveness of Key Responsible Persons and the Company Secretary; and

(ii) A formal and transparent procedure for developing a remuneration policy for Key Responsible Persons and the Company Secretary and ensuring that compensation is competitive and consistent with BPMB's culture, objectives and strategies.

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

a) Board of Directors (BOD) of Bank Pembangunan Malaysia Berhad (BPMB) and its subsidiaries (the Group),

b) Members of Shariah Committee (SC),

c) President/Group Chief Executive Officer (P/GCEO)/ Chief Executive Officer (CEO) of major subsidiaries; and

d) Senior Officers.

2. Functions and Responsibilities

The functions and responsibilities of the GNRC, among others are as follows:

Nomination Function

- Establish and recommend to BPMB BOD for approval on the minimum required mix of skills, experience, qualification and core competencies of a Director on the Board and the P/GCEO in order for them to perform their responsibilities effectively.
- Oversee the overall composition of BOD (BPMB and major subsidiaries), Board Committees and SC in terms of the appropriate size and mix of skills, and the balance between Executive Directors, Non-Executive and Independent Directors through annual reviews.
- Recommend and/or assess the appointment, re-appointment or resignation of BOD (BPMB and its major subsidiaries), P/GCEO, BOD Committees and SC Members for BPMB BOD's approval. The proposed appointment or re-appointment of BPMB BOD/SC Members will require BNM's approval and the Minister of Finance/ Minister of Finance (Incorporated) (MOF)'s final approval, as the case may be.
- Assess and determine annually whether a Director fulfils the criteria of being an Independent Director.
- Establish a mechanism for the formal assessment on the effectiveness of BOD as a whole, the contribution by each Director to the effectiveness of BOD, the contribution of the BOD Committees including SC and the performance of P/GCEO, CEO of major subsidiaries, Senior Officers and the Company Secretary. Annual assessment should be conducted based on objective performance criteria. Such performance criteria should be approved by BPMB BOD.
- Assess annually whether the Directors and P/GCEO are not disqualified under Section 7 of the DFIA 2002 and recommend to BPMB BOD on the removal of a Director or P/GCEO if he/ she is ineffective, errant or negligent in discharging his/ her responsibilities.

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- Ensure that all Directors and SC Members undergo appropriate induction programme and receive continuous training in order to keep abreast with the latest developments in the industry.
- Assess the annual performance of P/GCEO before submission to BPMB BOD for approval.
- Oversee/Recommend the following matters in relation to the Senior Officers and the Company Secretary for BPMB BOD's approval:

  a) New appointment
  b) Re-appointment
  c) Management succession planning
  d) Performance evaluation

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

  The appointment, re-appointment and performance evaluation of CEO of major subsidiaries and management succession planning of the subsidiaries shall be tabled to BOD of the respective subsidiaries first prior to GNRC for endorsement and BPMB BOD for approval.

  Confirmation or non-renewal of contract or extension of existing contract of Senior Officers and the Company Secretary shall be presented to GNRC for information.

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

  The removal of CEO of major subsidiaries shall be tabled to BOD of the respective subsidiaries first prior to GNRC for endorsement and BPMB BOD for approval.

- To recommend the appointment and removal of BOD in the subsidiaries/associated companies (excluding JV-SOCs of Global Maritime Ventures Berhad).
- To conduct 'fit & proper' assessment on the Key Responsible Persons and the Company Secretary on a yearly basis to determine if the 'fit and proper' standards continue to be met as to ensure the effectiveness of the Key Responsible Persons and the Company Secretary in carrying out his/her responsibilities. A 'fit and proper' assessment is to be conducted should GNRC become aware of information on any Key Responsible Persons and the Company Secretary, which may materially compromise his/her fitness or propriety.

Remuneration Function

- Recommend to BPMB BOD a framework on remuneration for Key Responsible Persons and the Company Secretary. The remuneration policy should:

  (i) Be documented and approved by BPMB BOD and any changes thereto should be subject to the endorsement of BPMB BOD;
  (ii) Reflect the expertise, experience, responsibility and commitment in their work as Directors of all BOD and Committees under the Group, P/GCEO, SC Members, CEO of major subsidiaries, Senior Officers and the Company Secretary;
  (iii) Be sufficient to attract and retain Key Responsible Persons and the Company Secretary of the appropriate calibre, experience and quality needed to manage the Group successfully;
  (iv) Be balanced against the need to ensure that the funds of the Group are not used to subsidise excessive remuneration packages and not compromising the viability, solvency and reputation of the Group as well as to ensure that the remuneration is in line with the current industry best practice; and
  (v) The framework should cover all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options, benefits-in-kind and termination benefits.

- Propose, review or recommend to BPMB BOD specific remuneration packages for the Key Responsible Persons and the Company Secretary. The remuneration packages should:

  (i) Be based on an objective consideration and approved by BPMB BOD;
  (ii) Take due consideration of the assessments of the effectiveness and contribution of the Key Responsible Persons and the Company Secretary concerned;
  (iii) Not to be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
  (iv) Be competitive and is consistent with BPMB's culture, objective and strategy. The Board had approved a Remuneration Policy for Senior Management Team (SMT) and Other Material Risk Takers (OMRTs) to set forth appropriate governance around the remuneration of the Bank's senior executives for their contribution to the Bank keeping in view the roles and responsibilities of these individuals from the perspective of performance excellence, risk management, compliance and sustainability. The policy includes definition of SMT/OMRTs, remuneration philosophy and structure, deferred cash mechanism & pool setting approach and governance.

- Assess and endorse the Terms of Services and new Terms for Executives and staff of the Group for BPMB BOD's approval.
- Recommend to BPMB BOD with regard to annual staff bonus and other performance related rewards and annual increment of the Group; and
- To review annually the remuneration packages of the Key Responsible Persons and the Company Secretary.

Human Resource (HR) Oversight Function

- Review and assess the effectiveness of the Group Human Resource and Development Division in supporting the Group to achieve its objectives, including to ensure the appropriate HR strategies, policies and frameworks for a quality and effective HR management for the Group (e.g. succession planning, talent and leadership development, training, recruitment and retention programmes, compensation and benefits plan etc.) are developed, implemented and periodically reviewed; and
- Review and recommend for BPMB BOD's approval, changes to Group HR policies and strategies and Organisation Structure of the Group.

3. Committee Meetings and Attendance

Based on the Terms of Reference of the GNRC, the GNRC shall meet at least four (4) times a year to fulfil its responsibilities. GNRC met 7 times during the financial year 2019. The Committee members and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Tan Sri Dr Rahamat Bivi Yusoff Chairperson	**7/7**
Dato' Othman Semail *(appointed as Member w.e.f. 1 February 2019)*	**4/6***
Dr Mohamed Ashraf Mohamed Iqbal *(appointed as Member w.e.f. 1 February 2019)*	**5/6***
Datuk Zaiton Mohd Hassan *(appointed as Member w.e.f. 26 February 2019)*	**5/6***
Ariff Rozhan *(appointed as Member w.e.f. 1 June 2019)*	**2/2***
Tan Lye Sim *(ceased as Member w.e.f. 1 June 2019)*	**5/5***
Datuk Seri Hashmuddin Mohammad *(ceased as Member w.e.f. 22 January 2019)*	**0/1***
Suffian Baharuddin *(ceased as Member w.e.f. 12 February 2019)*	**1/1***
Musa Abdul Malek *(ceased as Member w.e.f. 12 February 2019)*	**1/1***

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

Group Risk Management Committee

1. Objective

The primary objective of Group Risk Management Committee (GRMC) is to oversee the Bank's activities in managing the key risk areas of Bank Pembangunan Malaysia Berhad (BPMB or the Bank) and the Group (BPMB Group) and to ensure that the risk management process is in place and functioning effectively.

2. Functions and Responsibilities

The duties and responsibilities of GRMC shall include the following:

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

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- To provide effective oversight of Senior Management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework and implementation;
- To meet with Group Audit and Examination Committee periodically, to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on BPMB's risk appetite and business plans;
- To seek independent third party views or information on risk implications as appropriate before coming to any conclusion or making any significant policy recommendation;
- To consider how risks associated with BPMB's operational and organisational structures affects its ability to manage risks on an enterprise-wide and group-wide basis and the implications for capital and funding strategies;
- In relation to the position of Chief Risk Officer (CRO), GRMC is required to:

  (i) to establish an independent senior risk executive role (CRO or its equivalent) who has direct and unimpeded access to the Board and GRMC and to allow for effective engagement with P/GCEO and other members of the Senior Management with sufficient stature, authority, seniority and distinct responsibility for the Group Risk Management function and framework across the entire organisation;

  (ii) to recommend to GNRC and/or Board on the appointment, performance evaluation and termination of the CRO;

  (iii) to engage with CRO on a regular basis and to provide the opportunity for CRO to meet with GRMC and to discuss issues faced by the Group Risk Management function;

  (iv) in relation to item (c) above, GRMC may consider engaging with CRO without the presence of other Senior Management from time to time; and

  (v) to ensure that CRO is supported with sufficient resources, including competent officers, to perform his duties effectively.

- In relation to the position of Chief Compliance Officer (CCO), GRMC is required to:

  (i) recommend to GNRC and/or Board on the appointment, remuneration package, performance evaluation and termination of the CCO;

  (ii) ensure that CCO has sufficient stature to allow for effective engagement with P/GCEO and other members of the Senior Management;

  (iii) engage with CCO on a regular basis and to provide the opportunity for CCO to meet with GRMC and to discuss issues faced by Group Compliance function;

  (iv) in relation to item (c) above, GRMC may consider engaging with CCO without the presence of other Senior Management from time to time;

  (v) provide CCO with direct and unimpeded access to GRMC;

  (vi) ensure that CCO is supported with sufficient resources, including competent officers, to perform his duties effectively; and

  (vii) where CCO also carries out responsibilities in respect of other control functions (if any), be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by CCO.

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

  a) approve BPMB Group's compliance policy and oversee its implementation;

  b) approve the establishment of the compliance function and the position of the CCO, and ensure that the Compliance function and the CCO are provided with appropriate standing, authority and independence;

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

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

- To deliberate on investigation reports in relation to whistleblowing cases and decide on actions to be taken on the alleged individuals in accordance with Group Human Resource policy;
- To approve the appointment and/or termination of members and TOR of Executive Risk Management Committee and Asset & Liability Committee; and
- To consider any other matters as referred by BPMB Board to GRMC.

3. Committee Meetings and Attendance

Based on the Terms of Reference of the GRMC, the GRMC shall meet once in every two months. GRMC met 10 times during the financial year 2019. The Committee members and their records of attendance are as follows:

Members	No. of Meetings and Attendance
Tan Lye Sim Chairperson	**10/10**
Dr Mohamed Ashraf Mohamed Iqbal *(appointed as Member w.e.f. 26 February 2019)*	**7/8***
Datuk Zaiton Mohd Hassan *(appointed as Member w.e.f. 27 February 2019)*	**5/7***
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah *(appointed as Member w.e.f. 29 April 2019)*	**5/5***
Dato' Othman Semail *(appointed as Member w.e.f. 1 February 2019 and ceased as Member w.e.f. 1 June 2019)*	**3/4***
Musa Abdul Malek *(ceased as Member w.e.f. 12 February 2019)*	**2/2***
Suffian Baharuddin *(ceased as Member w.e.f. 12 February 2019)*	**2/2***
Datuk Wan Azhar Wan Ahmad Chairman *(ceased as Member w.e.f. 22 February 2019)*	**2/2***

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

Statement of Shariah Governance

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

With regard to Shariah governance requirements, BPMB is primarily governed by the Shariah Governance Framework (SGF) for Islamic Financial Institutions (IFIs) issued by BNM. This SGF was issued with the primary objective of outlining and enhancing the roles and responsibilities of the Board, the Shariah Committee and the Management of IFIs in relation to Shariah governance and compliance matters. It provides a framework comprising the Shariah governance structure, processes and controls which BPMB is expected to adhere to in order to ensure that all its operations and business activities are performed in compliance with Shariah.

In accordance with the requirements of the BNM's SGF and an internal SGF, the oversight of Shariah compliance in BPMB is monitored by a dedicated Shariah Committee which reports to the Board of Directors, and is supported by relevant designated internal Shariah compliance and research functions residing at Group Shariah Management, Group Risk Management, Group Compliance and Group Internal Audit.

Shariah Committee

While the Board is ultimately responsible and accountable on the overall SGF and Shariah compliance of BPMB, the Board is expected to rely on the Shariah Committee on Shariah decisions in relation to Islamic financial business of BPMB. The Shariah Committee is regarded as a committee of the Board and therefore functionally reports to the Board. It is expected to play an oversight role in overseeing all Shariah matters related to Islamic financial business of BPMB. The Shariah Committee, amongst others, ensures that the Shariah rulings and requirements relating to Islamic financial business of BPMB comply with the fundamental Shariah decisions and resolutions by the relevant regulatory authorities on Shariah matters.

Composition and Background

In line with BNM's SGF, the Shariah Committee comprises five (5) members where a majority of them i.e. four (4) are Shariah qualified and one (1) has non-Shariah qualification. A brief profile of each Shariah Committee member is presented on pages 38 to 40 of the Annual Integrated Report. The appointment/re-appointment of members of the Shariah Committee is governed by BNM's SGF and internal policies and procedures. The Group Nomination and Remuneration Committee (GNRC) reviews and assesses the members for the purpose of appointment/re-appointment before any recommendation is made to the Board for approval. GNRC will also refer to the results of individual assessments conducted via self and peer assessments, the Shariah Committee's effectiveness assessment and the Management's assessment on the Shariah Committee. The application for the appointment/re-appointment of Shariah Committee members will be submitted to BNM for approval.

Duties and Responsibilities

The Shariah Committee is expected to play an oversight role in overseeing all Shariah matters related to the Islamic financial business of BPMB. Specifically, the functions and responsibilities of the Shariah Committee are as follows:

1. To be responsible and accountable for all Shariah decisions, opinions and views provided by them.
2. To advise the Board and Management of BPMB on Shariah matters in order to ensure that its Islamic financial business and operations comply with Shariah principles at all times.
3. To validate and endorse the following:
   a) The Islamic products and services of BPMB are in compliance with Shariah principles in all aspects including
      - The terms and conditions contained in the forms, contracts and agreements used in executing the transactions;
      - The guidelines, manuals and procedures in relation to the products and services, schemes and funds offered by BPMB; and
      - The marketing advertisements, disclosure sheets, sales illustrations and brochures used to describe the products.

   b) The policies and procedures applicable to Islamic finance business prepared by BPMB and to ensure that the contents therein do not have any elements which are not in line with Shariah.
4. To confirm and form an independent opinion on the Shariah compliance status of BPMB based on their assessment of the works carried out by Shariah review and Shariah audit, and provide assurance information to be disclosed in the annual report, with respect to the following:
   - The transactions and dealings by BPMB in relation to its Islamic financial business for the reporting year are in compliance with Shariah;
   - The allocation of profit and charging of losses relating to investment accounts, if any, are in compliance with Shariah;
   - The de-recognition of Shariah non-compliant income and its distribution for charity purposes are in compliance with Shariah; and
   - The computation and distribution of Zakat are in compliance with Shariah.
5. To advise BPMB to consult the Shariah Advisory Council (SAC) of BNM on any Shariah matters which cannot be resolved.
6. To provide written Shariah opinion(s) under the following circumstances:
   - Where BPMB refers to the SAC for advice; or
   - Where BPMB submits applications to BNM for approval of new Islamic products.
7. To assist and provide advice on Shariah matters to related parties such as the legal counsel, auditors or consultants appointed by BPMB based on the recommendation or request from the Management.
8. To put on record its concerns over any Shariah non-compliance issues in its report or statements directed to the Board.

Meetings and Attendance

In line with the requirements in the BNM's SGF, the meetings shall be held at least six (6) times a year. The Shariah Committee meets to discuss and monitor among others, the overall Shariah compliance matters of BPMB. The notice and agenda for each Shariah Committee meeting together with papers to be deliberated at the meetings are distributed to all members of the Shariah Committee prior to the meetings by the Company Secretary with the assistance from Group Shariah Management as the secretariat to the Shariah Committee. The minutes of the meetings are escalated to the Board for perusal and information.

During the financial year ended 31 December 2019, the Shariah Committee had held 16 meetings. The record of attendance of members of the Shariah Committee for the meetings is as follows:

Name of Shariah Committee Members	No. of Meetings and Attendance
Associate Professor Dr Aznan Hasan	**16/16**
Assistant Professor Dr Miszairi Sitiris	**16/16**
Associate Professor Dr Noraini Mohd Ariffin	**15/16**
Dr Ahmad Basri Ibrahim	**16/16**
Ustaz Mohd Fadhly Md Yusoff	**14/16**

Statement of Shariah Governance

Training and Development of Shariah Committee Members

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

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

Shariah Compliance and Research Functions

a) Group Shariah Management

Group Shariah Management in BPMB assists the Shariah Committee with regard to internal **Shariah research** function which includes advisory and pre-approval reviews in relation to BPMB Group's business and supports stakeholders on the Shariah aspects of Islamic finance business. It also serves as the secretariat to the Shariah Committee in undertaking related administrative matters.

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

i. Shariah Advisory & Research

Responsible for providing Shariah advisory to relevant stakeholders and entities within BPMB Group, based on the decisions, precedents, rulings, advice and guidelines already made or issued by BPMB's Shariah Committee, BNM's SAC and Securities Commission's SAC. The unit is also responsible for performing in-depth Shariah research and studies on Shariah issues identified from time to time and to also serve as the secretariat to the Shariah Committee such as coordinating meetings, compiling proposal papers and disseminating Shariah Committee decisions to relevant stakeholders within the BPMB Group. Its responsibilities also include matters regarding the appointment of the Shariah Committee and their training.

ii. Shariah Documentation Review

Responsible for reviewing and vetting the relevant proposed transaction agreements and legal documents, the proposed policies, guidelines and procedures from internal stakeholders in order to ensure that they comply with the approved Shariah principles and decisions. It also coordinates the BPMB Group's projects and initiatives in relation to the implementation of requirements under the SGF.

iii. Zakat Management

Responsible for the management, payment and distribution of business zakat in ensuring BPMB complies with the established rulings in relation to business zakat as the efficient and effective management and distribution of business zakat is important to BPMB.

b) Group Compliance

In line with the SGF, the dedicated Shariah Compliance Unit within Group Compliance, comprising qualified Shariah officers, is responsible for conducting the **Shariah review** function.

Group Compliance has established BPMB Group Shariah Compliance Review Procedures which sets out the Shariah compliance review function, encompassing regular assessment on Shariah compliance in the activities and operations of the BPMB Group, including examining and evaluating the BPMB Group's level of compliance to Shariah, remedial rectification measures to resolve non-compliance and control mechanisms to avoid recurrence.

In ensuring the activities and operations of the Group are Shariah-compliant, the Shariah compliance review officer conducts reviews of the BPMB Group's Islamic financial business activities as per the Shariah compliance review work plan approved by the Shariah Committee and the respective Boards.

c) Group Risk Management

Considering Shariah Non-Compliance (SNC) risk is in itself an operational risk, **Shariah Risk Management (SRM)** forms part of the Group's Operational Risk Management (ORM) Framework. The SRM Control Function as outlined by the BNM's SGF is undertaken by Group Risk Management's Operational Risk Function to facilitate a systematic and consistent approach in managing SNC risk.

The strategy, governance structure, tools, methodologies and procedures in managing SNC risks have been established. To facilitate the process owners in understanding and identifying SNC risks, an SNC risk catalogue has been established and incorporated into the ORM Framework.

Designated business/operations staff are appointed to facilitate the implementation of SNC risk management within their respective functions. The designated staff are provided with training on SNC risks and the tools to manage them, namely, Risk Control Self-Assessment (RCSA), Shariah Non-Compliance Reporting and Key Risk Indicator. SNC RCSA is performed at least on an annual basis, whereby SNC risks and the adequacy of controls in-place to mitigate those risks are identified and measured by the process owners.

SNC risk awareness was also included in the BPMB Group's risk awareness programme to be conducted regularly with a view to increase the level of awareness on SNC risks.

d) Group Internal Audit

Group Internal Audit (GIA), which undertakes **Shariah audit**, reports independently to both the Board Audit Committee and the Shariah Committee. The Shariah audit provides independent assurance on the effectiveness of the internal control systems, related policies and procedures implemented by the BPMB Group to govern the conduct of its Islamic financial business operations and activities. In general, the scope of Shariah audit is established in line with the areas stipulated by the BNM's SGF as well as accepted auditing standards.

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

Statement of Internal Control

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

Responsibility

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

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

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

Key Internal Control Processes and Structures

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

Establish the Management's role with regards to internal controls

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

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

Internal Audit Function—Group Internal Audit (GIA)

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

Audit engagements are carried out based on the annual audit plan as approved by the Group Audit and Examination Committee (GAEC) and takes into consideration feedback from the Management and Shariah Committee. The GIA assesses the selected auditable functions and areas under the audit scope with regards to risk exposure, compliance towards the approved policies, procedures, and relevant laws and regulations, as well as benchmarks them against available best practices.

In evaluating the internal controls, the GIA adopts the five (5) components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO); namely control environment, risk assessment, control activities, information and communication, and monitoring activities.

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

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

Management Audit and Examination Committee (MAEC)

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

Group Audit and Examination Committee (GAEC)

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

Other Internal Control Processes and Structures

The other key elements of the procedures established by the Board that provides effective internal control include:

Business Plan and Performance Review

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

Board Committees

Board Committees (other than the GAEC) are also established to assist the Board in performing its oversight function, namely, Credit Committee of the Board (CCB), Group Nomination & Remuneration Committee (GNRC), Group Risk Management Committee (GRMC) and Shariah Committee (SC). These Committees have the authority (Terms of Reference) to examine all matters within their scope and report their recommendations to the Board.

Management Committees

Various Management Committees (Executive-level) are also established by the Management to assist and support the various Board Committees to oversee the core areas of business operations. These Committees include the Group Management Committee (GMC), Group Credit Committee (GCC), Executive Risk Management Committee (ERMC), Asset and Liability Committee (ALCO), Tender Committee (TC), Information Technology Committee (ITC), Group Human Capital Committee (GHCC), Business Continuity Management Committee (BCMC) and Group Budget Working Committee (GBWC).

Policies, Standard Operating Procedures (SOPs) and Authority Limits

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

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

Code of Ethics and Conduct

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

Group Risk Management

In 2019, the BPMB Group kept its focus in fulfilling its mandated role whilst remaining steadfast in improving its asset quality. With evolving business complexity and needs, Group Risk Management (GRM) keeps abreast with trends and challenges of risk management to better support the Group in meeting its strategic and business objectives. GRM is responsible for providing oversight of risk management on an enterprise-wide level through the establishment of the Group's risk strategies, frameworks and policies, with independent assessment and monitoring of all risks.

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

1. Risk Management Framework

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

Building Blocks	Risk Principles	Risk Appetite and Strategy
	Governance and Risk Oversight	Risk and Compliance Culture
	Risk Management Processes and Practices	Resources and System Infrastructure

2. Risk Principles

The risk principles of BPMB are as follows:

1 Establishing a risk appetite and strategy, which is approved by the Board that articulates the nature, type and level of risk the Group is willing to assume.

2 Driving capital management by strategic objectives that take into account the relevant regulatory, economic and commercial environments in which the Bank operates.

3 Ensuring proper governance and oversight through a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility established.

4 Promoting a strong risk culture that supports and provides appropriate standards premised on best and right practices.

5 Implementing risk frameworks, policies and procedures to ensure that risk management practices and processes are effective at all levels.

6 Executing robust risk management practices and processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group.

7 Ensuring sufficient resources, infrastructure and techniques are in place to enable effective risk management.

3. Risk Management Processes and Practices

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

a) **Driving sustainable and quality asset growth**—through effective risk management, managing asset growth and reducing impairment;

b) **Delivering customer convenience and reliability**—by intensifying customer focus such as through engagement with the Board, Senior Management and business pillars; and through internal customer service excellence including the timely delivery of credit risk rating reports produced for new proposals and credit review proposals, credit portfolio assessment and market risk assessment for Treasury/Finance initiatives;

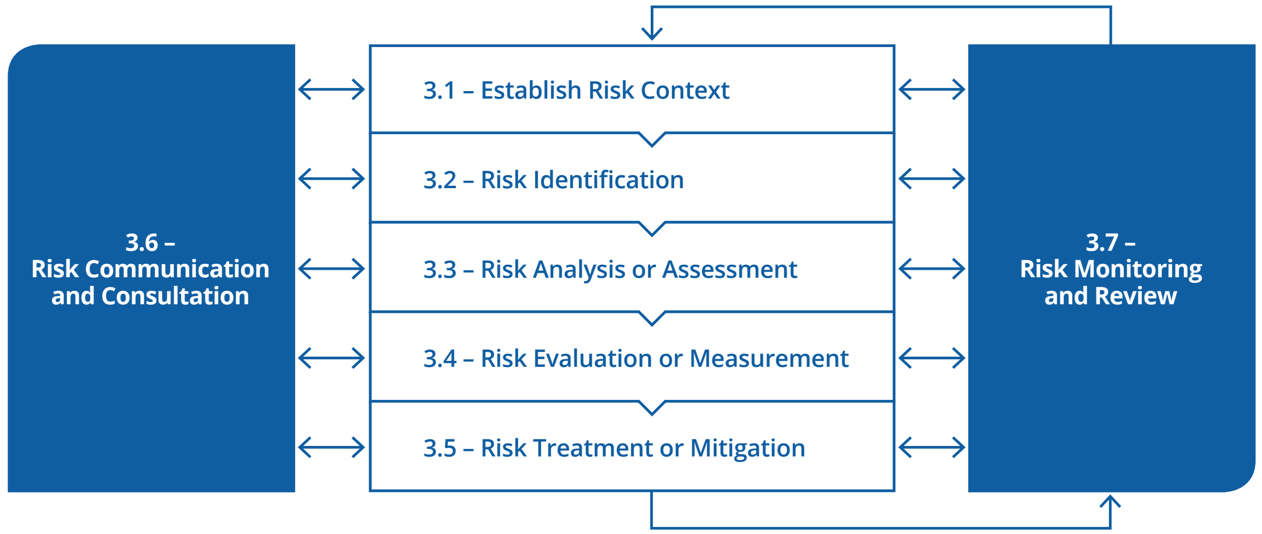
c) **Ensuring effective and efficient risk governance and oversight**—by promoting a risk awareness culture and strengthening the lines of defense through the GRM Framework and group-wide implementation of risk governance process, monitoring and reporting;

d) **Improving business and support processes**—by having a strong infrastructure in place to support operations;

e) **Strengthening execution infrastructure**—by either strengthening and/or streamlining capacity and capabilities of existing Risk units; and

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

An overview of the Risk Management Process is depicted below:



3.1 Risk Context

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

a) **External Context**—Define the relationship between their own functions and BPMB's business and operational environment, by identifying or determining the crucial elements that may support or impair their ability to manage their own risks, such as regulatory and market conditions;

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

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

3.2 Risk Identification

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

3.3 Risk Analysis or Assessment

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

3.4 Risk Evaluation or Measurement

a) The level of risk found during the analysis or assessment needs to be compared with the previously established risk criteria of the department or unit. This will result in a prioritised list of risks for further action by each Head;

b) Identified risks should be monitored and regularly reviewed to ensure they remain adequately controlled or mitigated; and

c) It is also advisable for all Heads to document their own business continuity management plan(s) and embed the plan(s) within their teams to ensure any severe disruptions in their operating infrastructure can be properly managed and addressed.

3.5 Risk Treatment or Mitigation

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

3.6 Risk Communication and Consultation

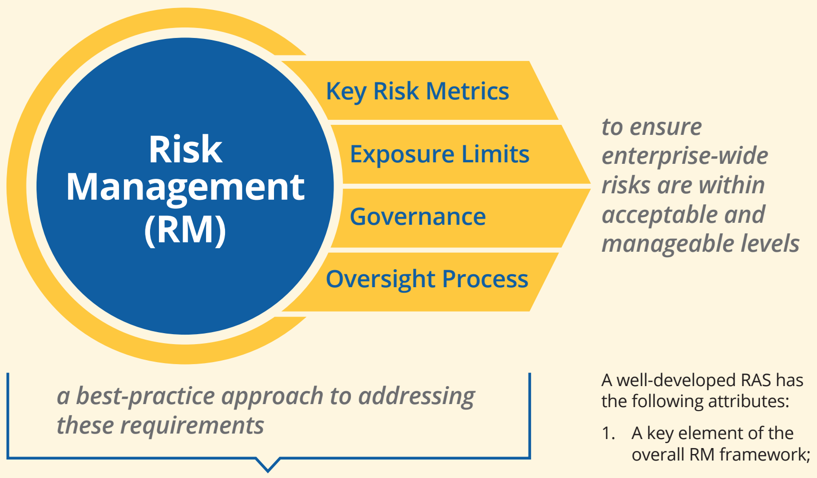
Each Head is to clearly and continuously communicate their risk management process to all who have roles and responsibilities within it to ensure staff understand why certain actions are required. This communication process must be clearly documented.

3.7 Risk Monitoring and Review

Each Head is to document the required proactive monitoring process of their risk treatment or action plans to ensure they remain relevant. Any resultant loss (actual or expected/near-miss or potential) is to be computed and documented accordingly. Each Head is to also ensure their risk management process is to be reviewed on a regular basis (at least annually) to determine its effectiveness, including identification of new risks and/or opportunities as they emerge.

4. Risk Appetite and Strategy

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



Risk Appetite Statement (RAS)

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

A well-developed RAS has the following attributes:

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

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

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

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

Risk Appetite Categories	Risk Areas
Capital Adequacy	• Risk Weighted Capital Ratio (RWCR)
Asset Quality	• Financing Asset Quality • New Commercial Financing Rating • Gross Impaired Financing Ratio • Subsectors to be avoided (Commercial)
Liquidity	• Bank Negara Malaysia (BNM) New Liquidity Framework
Market	• Earnings-at-Risk (EaR) • Economic Value of Equity (EVE) • Investment Securities Credit Ratings
Operational	• Operational Loss • Shariah Non-Compliance (SNC)
Strategic	• Debt Rating • Capital Allocation • Risk-adjusted Profitability (Net Interest Margin – NIM)
Compliance	• Non-compliance with regulatory requirements

5. Principal Risks

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

Principal Risks	**Credit Risk**	**Concentration Risk**
	Operational Risk	**Market Risk**
	Liquidity Risk	**Interest Rate Risk**
	Reputational Risk	**Technology Risk**
	Regulatory Risk	**Strategic Risk**

Group Risk Management

The respective principal risks are briefly described as follows:

Risk	Description
Credit Risk	Risks arising from the following: a) **Default risk**—risk arising from the inability or unwillingness of a counterparty to discharge its repayment contractual obligations; b) **Downgrade risk**—risk that changes in the possibility of a future default by a counterparty will adversely affect the present value of the contract with the counterparty today; c) **Settlement risk**—risk arising from the lag between the value and settlement dates of securities or financial instruments transactions; and d) **Concentration risk**—risks arising from the following: • Concentration on asset portfolios—risk of losses associated with inadequate diversification of asset portfolios • Concentration on business portfolio—risk of financial loss due to having written large proportions of business in the same or similar risk profile.
Market Risk	The risk that BPMB Group will suffer losses due to a change in the value of assets and liabilities held (including on- and off-balance sheet items) caused by the changes in market risk factors, such as interest/profit rates, securities/Sukuk prices, foreign exchange rates etc.
Liquidity Risk	Liquidity risk forms part of market risk and is defined as the risk that the Bank will be unable to secure necessary funding due to deteriorating financial conditions or a similar reason, and will therefore be unable to meet cash flow requirements, or that it will suffer a loss because it is compelled to pay interest/profit rates significantly higher than normal rates in order to secure funding.
Interest Rate Risk	Risks arising from the exposure of the Bank's financial condition to adverse movements in interest/profit rates.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.
Reputational Risk	The potential loss to financial capital, social capital and/or market share resulting from damages to BPMB's brand or reputation.
Regulatory Risk	Risk that unanticipated new acts or regulations will result in the need to change business practices that may lead to financial loss to BPMB.
Strategic Risk	Risk that BPMB's business strategy is inappropriate, or that it is unable to implement or execute its strategy that may adversely impact the production and profitability of the business going forward.
Technology Risk	Risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of critical information.

6. Immediate Risks

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

a. Regulatory Changes and Requirements

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

b. Concentration Risk and Connected Lending

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

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

c. Cyber Security and Data Confidentiality

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

Continuous assessment and heightening of cyber security controls have improved the capabilities of cyber perimeter defence in protecting IT infrastructure and systems from intruders as well as preserving the confidentiality, integrity and availability of the Bank's information. With the new cyber security requirements enforced by the regulators, an updated cyber security programme needs to be developed to ensure a robust technology infrastructure along with the necessary detective and preventive measures.

d. Movement in Interest Rates

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

e. Data

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

f. Changes in Market Structure and Growing Competition

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

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

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

g. Shariah Non-Compliance

Shariah non-compliance risk management is an integral part of business operations, whereby there could be several significant potential sources of Shariah non-compliance across the business operations and activities. The Bank has been strengthening its risk assessment and awareness of the various possible areas exposed to Shariah non-compliance.

h. Reputation

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

i. Climate Change

As part of the Bank's Environmental, Social and Governance (ESG) framework, the management has identified climate risk as an emerging risk in 2019. Climate risk refers to risk resulting from the effects of global warming. In December 2019, BNM had issued a discussion paper on Climate Change and Principle-based Taxonomy highlighting the risks and impact climate change has. GRM had undertaken a rationalisation on its corporate structure and dedicated a headcount to manage risks related to climate change. In 2019, the dedicated staff attended relevant workshops and conferences organised by BNM and the Association of Development Financing Institutions in Asia Pacific (ADFIAP).

Group Risk Management

7. Governance and Risk Oversight

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

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

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

Board-Level Committees		
Group Risk Management Committee (GRMC)	Credit Committee of the Board (CCB)	Group Nomination & Remuneration Committee (GNRC)
The GRMC is a Board-level committee responsible to oversee the Group's risks. It is primarily responsible for the oversight of Senior Management's activities in managing the key risk areas of the Group and to ensure the appropriate risk management infrastructure, resources and processes are in place and functioning effectively.	The CCB is tasked by the Board to review financing approvals and the credit risk portfolio.	The GNRC is appointed to oversee the establishment and implementation of remuneration policies and structures. This includes ensuring such policies and structures do not induce excessive risk-taking yet are able to reinforce prudent risk-taking.

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

Management-level Committees		
Executive Risk Management Committee (ERMC)	Group Credit Committee (GCC)	Business Continuity Management Committee (BCMC)
The ERMC is a Management-level committee responsible for the management of all material risks within the Group.	The GCC forms part of the risk governance for managing credit/ investment risks within the Group. The committee is empowered to approve credit/ investment related proposals which fall within their authority.	The BCMC is tasked with overseeing the Business Continuity Management (BCM) of the Group. For example, approving the relevant BCM documents such as the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP).
Asset and Liability Committee (ALCO) *ALCO is a sub-committee of ERMC		
The primary objective of the ALCO is to perform the oversight function and to deliberate key issues related to the Bank's asset and liability management and market risk.		

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

8. Risk and Compliance Culture

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

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

9. Achievements for 2019

BPMB's achievements during 2019 include, but are not limited to, the following:

- An increase in Interbank Borrowing Limit to RM3 billion approved by BNM;
- Risk Assessment on the Information Technology infrastructure done;
- Operational Risk Heat Map established;
- Outsourcing Policy revised; and
- Preliminary study and capacity building on the impact of Climate Change completed.

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

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

10. Resources and System Infrastructure

As part of the Strategic Transformation Plan (STP), GRM had successfully completed the following activities under the credit value chain (CVC) project:

- Development of new credit model and improved credit underwriting processes;
- Development of risk appetite framework that is sufficiently granular to provide guidance to the respective functions in the Bank;
- Development of an Early Warning Signal (EWS) system which allows for early detection of credit deterioration with suggested action steps; and
- Selection of an appropriate recovery strategy accompanied by the requisite internal capabilities done with a clear approach.

11. Risk and Opportunities in Our Operating Environment

As the Bank is embarking on its 3-Year Strategic Plan, we need to be wary of the risks and opportunities which are present in the operating environment.

In 2019, the Malaysian banking industry performed below par owing to local and external headwinds with the trade war situation which escalated between the United States and China.

Fortunately, despite of the above, current profitability levels of banks remain resilient due to strong banking fundamentals set in place. Looking ahead, banks are expected to remain well-positioned to maintain and enhance their competitive edge, supported by a high level of public confidence in the banking system as well as ongoing efforts to embrace new technologies.

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

12. Coronavirus Disease (COVID-19) Outbreak

COVID-19 is an infectious disease, which was first identified in December 2019 in Wuhan, China. In March 2020, the World Health Organisation (WHO) declared COVID-19 a pandemic. Since then, many countries globally (including Malaysia) have imposed Movement Control Orders (MCO) to curb the spread of the disease. COVID-19 will have prolonged economic impact globally and BPMB recognises that its customers will be impacted as well.

As such, BPMB supports the initiatives of BNM's relief measures for Small and Medium Enterprises and Corporates to alleviate the short-term cash flow uncertainties faced by customers affected by the COVID-19 outbreak. Approvals for Moratorium on financing payments have been extended to existing customers.

Stakeholder Engagement

	Regulator	Key Ministries	Other Ministries	Government Agencies
	Bank Negara Malaysia (BNM)	Ministry of Finance (MOF) and Economic Planning Unit (EPU)	Ministry of Tourism, Arts and Culture (MOTAC), Ministry of International Trade and Industry (MITI), Ministry of Transport (MOT) and Ministry of Science, Technology, and Innovation (MOSTI)	Malaysian Investment Development Authority (MIDA), Malaysian Industry-Government Group for High Technology (MIGHT) and Malaysia Digital Economy Corporation (MDEC)
Why are they important to BPMB	BNM monitors BPMB's operations and activities to ensure they are in line with the Bank's mandated roles, underpinned by good corporate governance and best practices.	The Government is obligated to ensure that BPMB, wholly owned by the Malaysian Government through the Minister of Finance Inc, fulfils its mandate in an effective and efficient manner at minimal cost to the Government. BPMB is set up by the Government to finance development projects which involve high-potential risk and long gestation period, but yet have significant long-term benefits to the overall economic development of Malaysia.	MOTAC, MITI, MOT and MOSTI are the stakeholder ministries of the Government's strategic areas such as tourism, shipping, technology and digitalisation.	MIDA is the Government's principal agency for the promotion of the manufacturing and services sectors in Malaysia. MDEC will connect, catalyse and commercialise digital initiatives to advance a thriving and sustainable Digital Economy. MIGHT plays a key role in developing Malaysia's high technology for business through its role as a think tank, private-public consensus building and business nurturing platforms.
How we engaged them	BPMB seeks guidance from BNM on issues related to compliance and banking regulations. BPMB engaged BNM in the formulation of the 3-Year Strategic Plan 2020–2022. BPMB also engaged BNM in measuring non-financial performance indicators or "Additionalities" via the Performance Measurement Framework (PMF).	BPMB engaged MOF and EPU in the formulation of the 3-Year Strategic Plan 2020–2022 and to prepare the BPMB Corporate Scorecard 2020. BPMB submitted proposals to MOF on National Budget 2020. BPMB submitted proposals to EPU on the 12th Malaysia Plan (12MP) 2021–2025.	BPMB engaged MOTAC to obtain their endorsement for tourism projects to be financed under the TIF. BPMB provided input to MITI on the New Industrial Master Plan. BPMB was involved in the Committee of the Malaysia Shipping Master Plan 2017–2022.	BPMB sought MIDA's assistance to promote the Bank's Special Funds. BPMB signed MOU with MDEC whereby MDEC will assist BPMB in project evaluation of IDTF applications. MIGHT provided training and technical assistance to BPMB staff in the areas of high technology.

	Associations	Strategic Partners	Employees	Customers
	Association of Development Finance Institutions of Malaysia (ADFIM), Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI) and China-ASEAN Inter-Bank Association (CAIBA)	Supranational and multinational organisations such as World Bank, United Nations and other foreign DFIs/State Banks	BPMB Group	BPMB Group customers (existing and potential)
Why are they important to BPMB	The associations play a crucial role in promoting cooperation among members, promoting sound practices in the business and profession of development financing and representing the interest of members in consultation with the relevant authorities.	The World Bank has vast experience in impact assessment of developmental roles. The UN is the champion of SDGs.	Banking is one of the most dynamic sectors which requires high-potential employees to drive performance. The need for attracting, developing and retaining the right kind of talent has become a pre-condition for efficient operations and work delivery.	BPMB constantly seeks opportunities to serve our valuable customers by continuously improving our products and services. It is critical to understand the customers' needs and expectations in the dynamic market environment.
How we engaged them	BPMB attended the Annual General Meeting.	BPMB collaborated with the World Bank in 2019 to develop the Project Evaluation Framework (PEF) and the Impact Assessment Framework (IAF). BPMB partnered the UN Country Team in Malaysia to organise the inaugural 2019 SDGs Summit Malaysia. Working Committee Meetings were conducted with various organisations to discuss potential collaboration with them.	Ongoing education and training programmes Ongoing revision of remuneration and benefits Internal e-announcement and news Frequent town halls Engagement for Core Values/ Back-to-Basic Principles Presentation on BPMB 3-Year Strategic Plan 2020–2022 Staff Aidilfitri celebration Staff Family Day Sports Clubs activities Staff Annual Dinner Staff Engagement Survey	Frequent meetings and visits to project sites Seeking customers' feedback through various platforms Invitation to attend launch of new funds Invitation to Aidilfitri Open Day

Stakeholder Engagement

	Regulator	Key Ministries	Other Ministries	Government Agencies	Associations	Strategic Partners	Employees	Customers
Stakeholder concerns/ expectations	BPMB should remain relevant by supporting the changing financing needs of the economy and its business model should ensure long-term financial sustainability. BPMB should follow best practices that promote integrity, transparency and accountability. BPMB should be able to measure impact assessment on all projects.	BPMB should continuously review how closely aligned to the Government's development mandate the operations are, and capitalise on that to be a catalyst to promote private sector investments and support economic growth. BPMB should aim to become the centre of reference for new growth sectors. BPMB should ensure full utilisation of Special Funds i.e. Sustainable Development Financing Fund (SDFF), Industry Digitalisation Transformation Fund (IDTF), Public Transport Fund 2.0 (PTF 2.0), Tourism Infrastructure Fund 2.0 (TIF 2.0) and Maritime Fund 2.0 (MF 2.0).	BPMB to continue making a positive impact on the economy and society as the economic landscape changes.	BPMB to provide financing to advanced manufacturing sectors, as well as knowledge- or technology-based sectors including green tech and biotech industries. These are key drivers that will accelerate the transformation of Malaysia into a high-income economy in a sustainable and inclusive way.	BPMB to play its role actively and meaningfully as a member of the associations.	The PEF and IAF will be successfully implemented despite the challenges in collecting credible data that will best quantify the development impact. BPMB will continue to emphasise sustainable development. The collaboration with these organisations will pave the way for syndication, knowledge sharing and technical assistance.	BPMB should remain relevant to support the national development agenda. BPMB's business model should: • ensure long-term financial sustainability • seek opportunities to improve skills through various training programmes • offer fair remuneration and benefits • develop talent	BPMB to provide financing with favourable lending terms. BPMB to provide good customer service.
What BPMB is doing to address these concerns	BPMB's Strategic Thrust 1 is "Embracing Paradigm Shift". BPMB is implementing a holistic impact-focusing approach anchored on two elements: • Impact on nation and Sustainable Development Goals (SDGs) • Impact on financial sustainability	BPMB's Strategic Thrust 2 is "Supporting Government's Strategic Priority Areas". The following initiatives are currently implemented: • Supporting the development of the Malaysia Plans and the National Blueprint such as the Shared Prosperity Vision 2030 • Spearheading and advocating the Government's strategic priority areas • Serving the unserved and underserved segments with an emphasis on creating developmental impact	BPMB's Strategic Thrust 2 is "Supporting Government's Strategic Priority Areas". The following initiatives are currently implemented: • Supporting the development of the Malaysia Plans and the National Blueprint such as the Shared Prosperity Vision 2030 • Spearheading and advocating the Government's strategic priority areas • Serving the unserved and underserved segments emphasising the developmental impact created	BPMB's Strategic Thrust 2 is "Supporting Government's Strategic Priority Areas". The following initiatives are currently implemented: • Supporting the development of the Malaysia Plans and National Blueprints such as Shared Prosperity Vision • Spearheading and advocating the Government's strategic priority areas • Serving the unserved and underserved with an emphasis on developmental impact	BPMB's Strategic Thrust 1 is "Embracing Paradigm Shift" and one of the strategies is partnering and learning with reputable organisations.	BPMB's Strategic Thrust 1 is "Embracing Paradigm Shift" and one of the strategies is partnering and learning with reputable organisations.	BPMB's Strategic Thrust 1 is "Embracing Paradigm Shift" whereby employees are expected to embrace a new success maximisation mindset which translates into their behaviour.	BPMB's Strategic Thrust 2 is "Supporting Government's Strategic Priority Areas" whereby BPMB will serve the unserved and underserved segments with an emphasis on developmental impact.

Value for People

Our success is attributed to our team of dedicated employees. We continue to intensify efforts to nurture them in the best manner possible attesting to our commitment to our greatest asset. We also offer attractive career advancement opportunities to those who endeavour to be the best in our industry, thereby retaining the top talent. We stimulate growth through innovation and foster a culture of continuous learning via structured learning programmes.

Learning and Development for 2019

Description	2018	2019
Average number of hours of training per year per employee	**36 hours**	**66 hours**
Total investment in training	**RM1,416,619**	**RM2,956,485**

To inculcate a high-performance work culture among our people, we constantly explore ways and means to develop internal capabilities and empower our people to help them reach their full potential and deliver the Bank's mandate.

The BPMB learning and development curriculum will be focusing on both leadership and technical/functional competencies via the holistic 70:20:10 'Learning Journey' approach created by Morgan McCall, Michael M Lombardo and Robert A Eichinger at the Center for Creative Leadership in the 1980s.

The 70:20:10 model is a structured process of formal and informal learning over time that encompasses:

- 70% learning from experience (on-the-job etc.)
- 20% social learning from others (through coaching, mentoring etc.)
- 10% formal learning (classroom, e-learning etc.)

BPMB's Learning Curriculum will address all leaders at all levels throughout the organisation as follows:

Levels of Development	Learning Focus		'Learning Journey' Concept 70:20:10		
	Leadership Competencies	Technical/ Functional	10%: Formal Learning	20%: Coaching & Mentoring	70%: On-the-Job Experiences
L4: Strategic Leader *Leads, manages and develops a business OR a group-wide function* ***8/9***	• Leadership at C-Suite. 'Shaping' role to ensure business & organisational value creation	• Skill Advisor for Skill Family • Chartered Banker (CB) Accreditation	• Leader-as-Role Model & Guide • Classroom/ Master-Class, Top-Team Alignment • Bite-Sized Learnings	• Mentorship • Role-Modelling • Coaching for Development	• Lead Strategic Projects • Value Creation (Delta roles)
L3: Tactical Leader *Leads, manages and develops other manager(s) and emerging leaders* ***6A/6B/7***	• Broadening or to transition upwards • Leading disciplines, cross-functional teams, develops talent & capabilities	• Develop Area of Discipline (DRP) • Acquire AICB's SQs/PB	• Leader-as-Teacher • Classroom, Multi-Mode • Blended, E-learning	• Mentorship • Role-Modelling • Coaching for Performance & Development	• Lead Tactical or QIP Teams – Six Sigma etc. • Exposure & Industry Networking
L2: First Level Leader *Leads, manages and develops individual contributor(s)* ***5A/5B***	• Leading operational teams and provide 'hands-on' guide to junior talents	• Build Skills & Expertise (SME) • Acquire AICB's SQs/EB	• Classroom, Blended, E-learning • Experiential, Team-Building	• Coaching for Performance • Supervising, On-Job Training	• Lead Cross-Functional Teams/CATs • Job Enrichment and Mobility
L1: Team Contributor *Manages own self and working as a member of a team* ***3/4***	• Lead self and others as individual contributor and contribute as effective team player/member; build trust & confidence. Acquire Job Family Skills		• Classroom, Blended, E-learning • Experiential, Team-Building	• Menteeship • Collaboration/ Cooperation • Supporting	• Job Rotation • Practical Assignments • 'Step-Up'

The proposed learning interventions will be guided by Bank-wide assessments on leadership and technical/ functional competencies. The objectives are to help all staff who have undergone the required training close their skill gaps and further leverage their strengths.

Our key learning initiatives and achievements for 2019 include the following:

1. Implementation of the '5 Conversations Programme: How to Transform Trust, Engagement and Performance at Work for Tactical and Strategic Leaders';
2. Implementation of 'BPMB Bespoke Development Banking Programmes' in collaboration with the Asian Banking School; and
3. Implementation of our 5-Year Capability Building Roadmap through specialised qualifications, Chartered Banker Accreditation and Shariah certification programmes.

- Implementation of the other Leadership Programmes has been shifted to 2020, to leverage the end outcomes of the leadership competencies assessment. BPMB's leadership development adopts an integrated approach for effective learning outcomes and aims to strengthen our leadership capabilities.

PROFESSIONAL CREDIT CERTIFICATION (PCC)

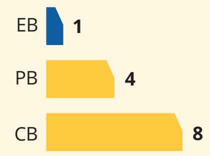
35

CERTIFICATION FOR BANK AUDITORS (CBA)

14

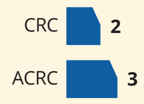
CHARTERED BANKER QUALIFICATION (CB)

13



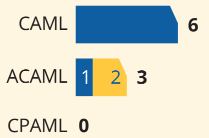
PROFESSIONAL QUALIFICATION IN REGULATORY COMPLIANCE (RC)

5



PROFESSIONAL QUALIFICATION IN AML/CFT

9



BANK RISK MANAGEMENT (BRM)

4

CERTIFIED SHARIAH ADVISOR (CSA)

12

CERTIFIED SHARIAH PRACTITIONER (CSP)

4

Legends

Completed Pursuing

CCE — Certified Credit Executive
BCP — Business Credit Professional
CBA — Certification for Bank Auditors
EB — Executive Banker
PB — Professional Banker
CB — Chartered Banker
CRC — Certification in Regulatory Compliance
ACRC — Advanced Certification in Regulatory Compliance
CAML — Certification in AML/CFT
ACAML — Advanced Certification in AML/CFT
CPAML — Certified Professional in AML/CFT
BRM — Bank Risk Management
CSA — Certified Shariah Advisor
CSP — Certified Shariah Practitioner

Highlights of the Year

Here is a selection of the events Bank Pembangunan Malaysia Berhad (BPMB) had participated in over the year, engaging with a wide section of the Malaysian community to benefit our youth, industry and our own staff, as well as to drive sustainability efforts.

MARCH 2019

- BPMB launched the Industry Digitalisation Transformation Fund (IDTF) on 7 March 2019. The fund is aimed at helping Malaysia achieve its Industry 4.0 goals by accelerating the industry's adoption of related technologies.

- BPMB launched the Sustainability Development Financing Fund (SDFF) on 13 March 2019. The fund will be used to support efforts to implement the United Nations 17 Sustainable Development Goals (SDGs).

APRIL 2019

- BPMB signed a collective agreement with the National Union of Commercial Workers (NUCW) in April 2019 benefitting 90 of its clerical and non-clerical staff.

MAY 2019

- BPMB launched the RM500 million Public Transport Fund (PTF 2.0) which is aimed at encouraging public transport adoption by improving and enhancing the related infrastructure in the country. The fund was launched by the then Finance Minister Lim Guan Eng in May 2019.

  The PTF 2.0 is one of three separate funds totalling RM4.5 billion which the Ministry of Finance has mandated the Bank to manage in Budget 2019. This follows the Industry Digitalisation Transformation Fund and Sustainable Development Financing Fund launched in March 2019.

JUNE 2019

- Majlis Agama Islam Wilayah Persekutuan received BPMB's corporate zakat in June 2019. BPMB's Chief Operating Officer Razali Hassan presented the corporate zakat to Datuk Seri Dr Mujahid Yusof, the then Minister at the Prime Minister's Department (Religion).

- The state of Sarawak received BPMB's corporate zakat on 21 June 2019. BPMB President/Group Chief Executive Officer Arshad Mohamed Ismail, accompanied by Shariah Committee Chairman Associate Professor Dr Aznan Hassan and Group Shariah Management Head Mohamad Salihin Deris, presented the corporate zakat to representatives from Tabung Baitulmal Sarawak.

- BPMB launched the RM1 billion Tourism Infrastructure Fund (TIF 2.0) in Kuching, Sarawak in June 2019 to encourage more industry operators to develop travel facilities. The fund is aimed at providing financial assistance to the businesses dealing with or involved in tourism-related activities and services. It can also be used to finance the acquisition of land, construction of buildings, purchase of machinery and other assets related to tourism activities, or to part finance the working capital requirements of the eligible companies. The fund can likewise be utilised by companies to develop infrastructure that will contribute to the growth of the tourism industry, such as hotels, convention centres, or facilities related to medical and agro tourism.

JULY 2019

- BPMB presented its corporate zakat to the state of Kedah on 15 July 2019. DYMM Sultan Kedah Al Aminul Karim Sultan Sallehuddin Ibni Almarhum Sultan Badlishah accepted the corporate zakat on behalf of the state. BPMB was represented by BPMB Director Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah and Group Shariah Management Head Mohamad Salihin Deris.

Highlights of the Year

JULY 2019


A Board Offsite session attended by the Board of Directors, Group Management Committee and the Group Strategic Planning team from 26–28 July 2019 at the Dorsett Putrajaya. The objective of the two and half day session was to iron out BPMB's strategic priorities to re-position the Bank to ensure that it remains relevant in serving the nation as well as to chart a strategic direction for BPMB's future, and consequently formulate the plan to steer the Bank towards that direction.

AUGUST 2019

Melaka received BPMB's corporate zakat on 26 August 2019. The corporate zakat was accepted on behalf of the state by the former Melaka Chief Minister Adly Zahari. Chief Business Officer Ahmad Mochtar Hashim represented BPMB during the presentation ceremony.


Chief Business Officer Ahmad Mochtar Hashim represented BPMB to speak at the Malaysian Exporters Association Seminar on Incentives and Funding to Promote Adoption of Industry 4.0. The event was held on 13 August 2019 and also featured representatives from the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC), Malaysian Industrial Development Finance Berhad (MIDF) and Malaysian Digital Economy Corporation (MDEC).

SEPTEMBER 2019

BPMB launched the RM1.5 billion Maritime Fund 2.0 on 17 September 2019 in Kota Kinabalu, Sabah. The fund is an initiative by the Government to support the maritime sector's modernisation and fleet expansion projects.

Business Banking Senior Vice President Sulaiman Abd Rahim represented BPMB during the corporate zakat presentation ceremony in Penang.

BPMB was one of the sponsors of the 2019 Sarawak Investment and Business Summit which was held in Kuching, Sarawak in September 2019. Razali Hassan, then Chief Operating Officer, represented the Bank and delivered a speech at the event. Also in attendance during the event was the President of Kingsley Strategic Institute for Asia Pacific, Tan Sri Dr Michael Yeoh.

OCTOBER 2019

BPMB collaborated with Berita Harian to organise an SPM Workshop for 150 students from schools within the Klang Valley. Children of staff also attended the two-day seminar held at a hall in Universiti Kuala Lumpur.

BPMB participated as one of the main sponsors of the Industry4WRD Summit led by the Ministry of International Trade and Industry (MITI). Chief Business Officer Ahmad Mochtar was featured as a panellist during one of the sessions held at the summit.

Highlights of the Year

NOVEMBER 2019

- The inaugural Sustainable Development Goals (SDGs) Summit was held on 6 and 7 November 2019. BPMB participated as a Silver Sponsor at the Summit. Group Business Products Head Hildah Hamzah was featured as one of the speakers during the Summit.

- Group Head of Group Strategic Planning Wan Faizah Che Din attended the China-Asean Interbank Association (CAIBA) executive board meeting in Bangkok, Thailand on 1 November 2019. Wan Faizah was one of the speakers during the event.

- BPMB presented its zakat contribution to an old folks home—Pusat Jagaan Mahmudah Malaysia in Semenyih, Selangor. The contribution will be used for the centre's daily administrative and operating costs. Senior Vice President Baharuddin Abd Majid presented the contribution to the Chairman of the centre, Ruslan Saidin.

- Yayasan Ikhlas, a foundation aimed at alleviating the hardships faced by orphans, *fakir* and the disabled received a zakat contribution from BPMB. The contribution was presented by the Bank's representative, Senior Vice President Baharuddin Abd Majid. The contribution was utilised to sponsor a medical relief and humanitarian mission in Pulau Gaya in Sabah and Sibu in Sarawak.

DECEMBER 2019

- BPMB presented five local universities with its corporate zakat in December 2019. President/Group Chief Executive Officer Arshad Mohamed Ismail presented the corporate zakat to representatives from Universiti Malaya, Universiti Kebangsaan Malaysia, Universiti Putra Malaysia, Universiti Malaysia Terengganu and Universiti Teknologi Mara.

- The management and staff of BPMB, led by its President/Group Chief Executive Officer Arshad Mohamed Ismail, took the Corruption-Free Pledge in December 2019 in support of the initiative introduced by the Malaysian Anti-Corruption Commission (MACC).

  Among the witnesses were representatives from Polis Di-Raja Malaysia (PDRM), Superintendent Foo Wei Min and MACC Deputy Director Razali Khamis. The Compliance and Integrity Awareness Programme, organised by BPMB via the Group Compliance Function, is part of the Bank's continuous effort to promote an ethics-based culture. The programme also aims to promote integrity, transparency and good governance in every aspect of BPMB's operations.

JANUARY 2020

- A ceremony to recognise Ramly Food Industries Sdn Bhd as BPMB's first recipient of the Industry Digitalisation Transformation Fund (IDTF) was held on 21 January 2020. Present to witness the ceremony was the then Minister of Economic Affairs Dato' Seri Mohamed Azmin Ali. Also present at the event were BPMB Chairman Datuk Zaiton Mohd Hassan, President/Group Chief Executive Officer Arshad Mohamed Ismail and Ramly Food Managing Director Datuk Ramly Mokti.

- BPMB presented a contribution to Yayasan Pelajaran Mara inconjunction with *Program Pintar Harapan @ Kementerian Pembangunan Luar Bandar 2020*. President/Group Chief Executive Officer Arshad Mohamed Ismail presented the contribution to the then Prime Minister of Malaysia Tun Dr Mahathir Mohamad.

FEBRUARY 2020

- A ceremony was held in Kota Kinabalu, Sabah on 21 February 2020 for the signing of a Tawarruq Financing Facility of RM80 million between BPMB and Sabah Ports Sdn Bhd. The financing facility will be utilised for Sabah Ports' jetty extension project for the Sapangar Bay Oil Terminal. President/Group CEO Arshad Mohamed Ismail and Chief Business Officer Ahmad Mochtar Hashim represented BPMB while Sabah Ports was represented by Managing Director Ng Kiat Min and Chief Financial Officer Noorida Baharuddin.

Corporate Information

Board of Directors

Datuk Zaiton Mohd Hassan
Chairman/Independent Non-Executive Director

Tan Sri Dr Rahamat Bivi Yusoff
Independent Non-Executive Director

Dato' Othman Semail
Non-Independent Non-Executive Director

Tan Lye Sim
Independent Non-Executive Director

Dr Mohamed Ashraf Mohamed Iqbal
Independent Non-Executive Director

Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah
Independent Non-Executive Director

Ariff Rozhan
Independent Non-Executive Director

President/Group Chief Executive Officer

Arshad Mohamed Ismail

Company Secretary

Zarina Nadzimuddin (MAICSA 7060104)

Shariah Committee

Associate Professor Dr Aznan Hasan
(Chairman)

Assistant Professor Dr Miszairi Sitiris

Associate Professor Dr Noraini Mohd Ariffin

Dr Ahmad Basri Ibrahim

Ustaz Mohd Fadhly Md Yusoff

Auditors

Ernst & Young (AF: 0039)

Registered Office

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

Website

www.bpmb.com.my

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

Information relating to principal activities of the subsidiaries are disclosed in Note 46 to the financial statements.

RESULTS

	Group RM'000	Bank RM'000
Net profit for the year	251,591	314,940
Attributable to:		
Equity holders of the Bank	251,770	314,940
Non-controlling interests	(179)	–
	251,591	314,940

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

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2018 were as follows:

Final single tier tax exempt dividend on 3,078,724,049 ordinary shares, amounting to RM100,000,000 (3.25 sen net per ordinary share), in respect of the financial year ended 31 December 2018 was approved on 26 June 2019 and paid on 28 June 2019.

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2019, on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM152,213,638.40 (4.94 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2020.

DIRECTORS

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

Datuk Zaiton binti Mohd Hassan	(appointed on 18 February 2019)
Dato' Othman bin Semail	(appointed on 22 January 2019)
Dr. Mohamed Ashraf bin Mohamed Iqbal	(appointed on 1 February 2019)
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	(appointed on 25 April 2019)
Ariff bin Rozhan	(appointed on 10 May 2019)
Tan Lye Sim	
Tan Sri Dr. Rahamat Bivi binti Yusoff	
Datuk Seri Hashmuddin bin Mohammad	(ceased with effect from 22 January 2019)
Musa bin Abdul Malek	(ceased with effect from 12 February 2019)
Suffian bin Baharuddin	(ceased with effect from 12 February 2019)
Datuk Wan Azhar bin Wan Ahmad	(resigned on 22 February 2019)

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

(i) Global Maritime Ventures Berhad

Tan Sri Dr. Rahamat Bivi binti Yusoff	(appointed on 28 February 2019)
Datin Rashidah binti Mohd Sies	
Afidah binti Mohd Ghazali	(resigned on 4 February 2019)
Datuk Wan Azhar bin Wan Ahmad	(resigned on 28 February 2019)

(ii) Pembangunan Leasing Corporation Sdn Bhd

Mohamad Rafi bin Shahzada	
Dr. Mohamed Ashraf bin Mohamed Iqbal	(appointed on 22 February 2019)
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	(appointed on 16 October 2019)
Arshad bin Mohamed Ismail	(appointed on 16 October 2019)
Afidah binti Mohd Ghazali	(resigned on 4 February 2019)
Datuk Wan Azhar bin Wan Ahmad	(resigned on 22 February 2019)

(iii) SME Growth Acceleration Fund Sdn Bhd

Nik Nor Aini binti Nik Mohamed	(appointed on 4 February 2019)
Razali bin Hassan	(appointed on 22 February 2019)
Afidah binti Mohd Ghazali	(resigned on 4 February 2019)
Datuk Wan Azhar bin Wan Ahmad	(resigned on 22 February 2019)

(iv) Emerald Upline Sdn Bhd

Azmahnor binti Siarap @ Abdul Wahab
Zulkeefli bin Mad Karim

(v) Maju Nominees (Tempatan) Sdn Bhd

Roslina binti Mohamed

(vi) BPMB Urus Harta Sdn Bhd

Zulkeefli bin Mad Karim	
Elioskarma bin Abdul Aziz	(appointed on 4 February 2019)
Afidah binti Mohd Ghazali	(resigned on 4 February 2019)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Bank as shown in Notes 33 and 34 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTEREST

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

INDEMNITIES TO DIRECTORS OR OFFICERS

The Bank maintained a Directors' and Officers' Liability Takaful for the purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate takaful cover for the directors and officers of the Bank. The amount of takaful contribution paid for any director and officer of the Bank during the financial year was RM418,720. The directors and officers shall not be indemnified by such takaful for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating
RAM Rating	29 November 2019	Financial Institution Rating	AAA/Stable/PI
RAM Rating	29 November 2019	RM7.0 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA/Stable

BUSINESS OUTLOOK

The operating environment is likely to be unfavourable for most part of the year as the impact from the Corona Virus ("COVID-19") outbreak gathers force. There is a large amount of uncertainty surrounding the outcome of the outbreak and how that would determine the depth of the recession in many countries including Malaysia. The federal government together with Bank Negara Malaysia, a few Government Linked Companies ("GLCs") and other government agencies had introduced a significant stimulus package to cushion the impact, amounting to RM250 billion. Most of the measures are directed to help the low income group i.e. B40, middle income group i.e. M40 to cope with the likely fall in income and loans/financings guarantees and an automatic 6-month moratorium on loans/financings repayments/payments for individuals and small and medium enterprises. On top of that, BNM had also cut the Overnight Policy Rate by 50 basis points, to 2.50% (the lowest since 2010) early this year to provide additional liquidity in the banking system.

In its recently released Economic and Monetary Review in their Annual Report 2019, BNM had stated that domestic growth prospects are expected to improve towards the end of the year, in line with the projected recovery in global demand and amid continued support from policy measures. Notwithstanding, BNM has also highlighted that the overall risks to the domestic growth outlook are tilted to the downside, mainly due to the risk of a prolonged and wider spread of COVID-19 and its effects on the global and domestic economy. That also explains the wide range of economic growth forecast by the central bank, i.e. -2.0 to +0.5% for 2020.

BUSINESS OUTLOOK (cont'd)

We are more bearish, projecting a contraction of 4.5% for 2020 as we expect the recovery would be very sluggish in the second half of the year. This would be due to the likely sharp economic contraction in major economies that would compound the pullback in manufacturing, mining, trade and trade-related activities.

Despite the less favourable operating environment, the banking system would continue to remain resilient with strong asset quality as well as capitalisation levels. On the back of this forecast trajectory, the Bank would likely see increased role in assisting the affected customers/borrowers, particularly in the tourism sector. In line with measures announced by BNM, the Bank will grant a moratorium on repayments/payments of loans/financings for customers/borrowers for a period of 6 months. The Bank would deliver this mandate with continued prudence and not compromising on the need to maintain strong corporate governance and sound risk management policies.

OTHER STATUTORY INFORMATION

(a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad financing and bad debts and the making of impairment and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment and allowance had been made for doubtful debts; and

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

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

   (i) the amount written off for bad financing and bad debts or the amount of the impairment provision and allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

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

   (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

   (ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group or the Bank.

(f) In the opinion of the directors:

   (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations as and when they fall due other than those incurred in the normal course of business; and

   (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year which this report is made.

Directors' Report

SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 42 to the financial statements.

SUBSEQUENT EVENTS

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

AUDITORS

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

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

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 20 May 2020.

Datuk Zaiton binti Mohd Hassan

Tan Sri Dr. Rahamat Bivi binti Yusoff

Kuala Lumpur, Malaysia

Statement by Directors

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

We, Datuk Zaiton binti Mohd Hassan and Tan Sri Dr. Rahamat Bivi binti Yusoff, being two of the directors of Bank Pembangunan Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 96 to 226 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Board of Directors dated 20 May 2020.

Datuk Zaiton binti Mohd Hassan

Tan Sri Dr. Rahamat Bivi binti Yusoff

Kuala Lumpur, Malaysia

Statutory Declaration

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

We, Tan Sri Dr. Rahamat Bivi binti Yusoff and Arshad bin Mohamed Ismail, a Director and the President/Group Chief Executive Officer, respectively, of the Bank who are primarily being responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 96 to 226 are to the best of our knowledge and belief, correct and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory on 20 May 2020.

Tan Sri Dr. Rahamat Bivi binti Yusoff

Arshad bin Mohamed Ismail

Before me,

PESURUHJAYA SUMPAH
W 741
NAILAH
BINTI RAMLI
BC/N/1144
01.10.18 -
31.12.21
MALAYSIA

Shariah Committee's Report

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

Assalamualaikum Warahmatullahi Wabarakatuh

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

INTRODUCTION

In carrying out the roles and the responsibilities of the Shariah Committee of the Bank as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia and in compliance with our terms of appointment, we hereby submit the Shariah Committee Report for the financial year ended 31 December 2019.

Management's Responsibility

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

Shariah Committee's Responsibility

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

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

During the financial year, there were sixteen (16) meetings held by the Shariah Committee of the Bank in which we reviewed and deliberated on, among others, the products and services, transactions, processes and documents which were presented to us by the Bank. In performing our roles and responsibilities, we had obtained the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance on whether the Bank has complied with Shariah. Accordingly, we have also assessed the work carried out by Shariah review and Shariah audit for this purpose.

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES

Among the key developments and activities during the financial year are the approvals of enhancement on templates of legal documentation with regard to the security document, enhancement on *Tawarruq* Term Financing and deliberation on enhancement of policy and procedures. The Shariah Committee has deliberated in principle the application of Shariah contract of *Bai' Dayn bi al-Sila'* in Factoring-i and *Ijarah* in Hire Purchase-i/Industrial Hire Purchase-i.

In supporting the government initiative towards developmental roles, we have deliberated and approved the principal terms and conditions of dedicated fund namely Industry Digitalisation Transformation Fund, Sustainable Development Financing Fund and Public Transport Fund as well as the enhancement on Tourism Infrastructure Fund and Maritime Fund.

The Shariah Committee has also deliberated on various issues with regard to debt restructuring scheme such as the methodology to execute 'Debt to Equity Swap' using the principle of 'الالتزام بما يعادل الوفاء انقضاء' (Set-off the obligation with the equivalent of fulfillment).

The Shariah Committee has also engaged with the Board on a number of occasions where matters pertaining to latest development of Islamic banking industry in general and also with regard to issues for conversion from conventional loan to Islamic financing. In addition, the engagement also touches Shariah governance matters, tourism related financing, exploring new alternative financing structure and the implication of financial technology (fintech) towards Islamic banking industry.

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (cont'd)

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

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

a. Shariah Research

Group Shariah Management undertakes the review and perusal of the issues, proposals and documents prepared by internal business and support functions for Shariah Committee's approval, deliberation and information. They also provide Shariah advisory and endorsement as delegated by the Shariah Committee on the proposals by those functions. The documents among others include the financing proposals by the Bank's business units as well as its subsidiaries, policies and procedures, guidance notes, letter of offers, legal documentation, marketing decks, the Bank's annual report and other operational support activities.

Throughout the financial year, Group Shariah Management had also collaborated with prominent educational and research institutions in coming out with research initiatives which will benefit the banking and finance industry in general. This initiative has received financial assistance from the Bank in providing the research grant for the following topics:

1. Harnessing Value Based Intermediation ("VBI"): The Role of Development Financial Institutions (DFIs); and
2. The Future of Education Market Landscape for Social Impact Funding

In addition, Group Shariah Management has collaborated with one (1) university in coming out with the research initiatives as follows:

1. Ratification of *Uqud al-Fasidah* (Irregular Contracts): Solutions and Its Implementation in Islamic Financial Institutions; and
2. The Treatment of Non-Performing Loan in Conversion of Conventional Bank to Islamic Bank.

Group Shariah Management is also responsible for the management, payment and distribution of business zakat in ensuring the Bank complies with the established rulings in relation to business zakat. With this new mandate, Group Shariah Management has met the target of zakat distribution for 2018 to zakat management agencies and eligible recipients in December 2019.

Apart from that, we also noted that Group Shariah Management had managed to conduct and compile Shariah research for the following Shariah Committee's resolutions:

1. Excess Fee Collected on Bank Guarantee-i
2. Imposition of Participation Fee for *Kafalah* Bank Guarantee
3. Compensation Charges *(Ta'widh)* Not To Be Compounded In Restructuring
4. Treatment of Deposit Payment in *Ijarah* Financing
5. Execution of Sale Contract By Conduct
6. Beneficial Ownership Under *Ijarah* Product Structure
7. The Definition of Full-Fledged Islamic Development Financial Institution
8. Treatment of Conventional Securities for Conversion
9. Shariah Pre-Screening Parameter BPMB
10. Financing of Cultural Performing Art Theatre

Shariah Committee's Report

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (cont'd)

b. Shariah Risk Management

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

During the financial year, we note that the Bank had strengthened the implementation of Shariah Risk Management, whereby the designated Operational Risk Liaison Officers ("ORLOs") at each business and support functions has been reporting the Shariah Key Risk Indicators ("KRI") on monthly basis and had completed the 2018/2019 Risk & Control Self-Assessment ("RCSA") which includes SNC risks. The RCSA exercise has the objectives for the ORLOs to identify and assess the SNC risks exposures inherent in their related area, measure the potential impact of the risk exposures, and thereafter to establish the appropriate risk mitigation measures. Shariah Risk Unit had constructively deliberated and challenged the ORLOs on the risks identified and effectiveness of the mitigation controls in-place, as to ensure comprehensive exercise was conducted. Subsequently, the SNC risk exposures were monitored and tracked periodically.

As to ensure a proper oversight by the senior management and the Board, the Shariah KRI and the outcome from the RCSA exercise had been escalated and endorsed by the Management, Board Risk Committee and Shariah Committee.

As part of the continuous awareness efforts on SNC risk exposures, there were three (3) engagement sessions conducted with the dedicated ORLOs throughout the financial year, whereby the importance of reporting of any potential SNC events and its reporting process were emphasised while lessons learnt from the past SNC events were discussed.

For the financial year under reporting, there were two (2) Actual SNC events detected and reported by the designated ORLOs from the business Functions. Both events were reported to BNM and relevant rectification plans and additional control measures were introduced by the respective risk owners to mitigate the risk exposures and to avoid recurrence. Concurrently, the risk assessments on the SNC events were performed to ascertain the causal factors and appropriate recommendations.

c. Shariah Review

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

During financial year 2019, there were ten (10) Shariah compliance reviews conducted by Compliance Review team in accordance to the Shariah Compliance Review Plan approved by us for their implementation. The observations and area for enhancements identified as well as the proposed remedial rectifications measures to resolve non-compliances were presented and deliberated in our meetings.

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

1. *Kafalah*
2. *Ijarah*
3. *Tawarruq* Deposit
4. *Wakalah*
5. Investment
6. Accounts Under Recovery
7. Annual Report 2018
8. *Tawarruq Financing*
9. System of Pembangunan Leasing Corporation Sdn. Bhd. ("PLC")
10. Fees and Charges

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

Shariah Committee's Report

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (cont'd)

d. Shariah Audit

The performance of audit to ensure a sound and effective internal control system for Shariah compliance in the Bank is within the responsibility of Group Internal Audit ("GIA"). Shariah Audit Section under GIA is primarily responsible for providing independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the Islamic business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

In 2019, the Bank Group Internal Audit had performed a Shariah audit assessment on Islamic Banking Operations under co-sourcing arrangement with an external consultant. The objective of the audit is to provide assurance that the processes and documentation of Islamic banking operations are in compliance with the relevant Bank Negara Malaysia ("BNM") Shariah Standards, Shariah Advisory Council of Bank Negara Malaysia ("SAC") Shariah Resolutions, circulars, regulatory framework and guidelines and internal policies, procedures and manuals.

The Shariah Committee noted that, GIA through Shariah Audit Section also conducted the following audits as part of audit plan for the year 2019:

1. Independent Shariah Validation on Enterprise Loan Management System ("ELMS")
   - GIA had assessed whether all Islamic financing facilities features and functionalities which embedded in the ELMS are in compliance with Shariah's requirement.
   - GIA had assessed and identify any material weaknesses and had made recommendations to refine control activities when Shariah's compliance is not assured.
2. Shariah Audit on Bank's Islamic Treasury Operations
   - GIA had assessed the Islamic treasury activities whether the activities were carried out in accordance with the relevant Shariah's principles and requirements.
3. Shariah Audit on Recovery Activities
   - GIA had assessed whether Islamic recovery processes carried out by Recovery Function specifically in relation to litigations and rehabilitation activities are in compliance with Shariah's requirement.

INITIATIVES ON TRAINING AND AWARENESS

In year 2019, a total of 172 staff have attended various Islamic finance, Shariah-related training programs and internal/external seminars includes among others as follows:

1. Shariah Awareness Session: Understanding The Shariah Principles In Islamic Banking
2. Shariah Compliance Awareness
3. Legal Documentation For Islamic Financial & Islamic Capital Market Services
4. Legal Perspective Of Restructuring & Rescheduling For Islamic Finance Facilities
5. Structuring Sukuk & Islamic Securitisation
6. Documentation And Litigation For Islamic Financing Facilities
7. Islamic Treasury, Islamic Structured Products And Sukuk
8. Asset Liability Management In Islamic Banks
9. Credit Management, Restructuring, Rescheduling And Recovery In Islamic Banking
10. Governance, Risk Management And Compliance
11. Legal Aspect And Governance For Islamic Finance
12. Fundamentals Of Islamic Banking
13. Islamic Business Financing Products And Services

Shariah Committee's Report

SHARIAH NON-COMPLIANT EVENTS AND DERECOGNISED INCOME

During the financial year 2019, we confirmed that there were two (2) Shariah non-compliance ("SNC") events relating to the placement of Islamic funds in Conventional instruments that lead to derecognition of SNC income from the Bank's income amounting to RM27,289 (RM22,758 and RM4,531 respectively).

ZAKAT ON BUSINESS

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

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

SHARIAH COMMITTEE OPINION

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

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank in relation to its Islamic financial business during the financial year ended 31 December 2019 that were reviewed by us, are in compliance with Shariah;

2. The computation and distribution of zakat fund are in compliance with Shariah;

We, being two (2) of the members of the Shariah Committee of the Bank, do hereby confirm that, to the best of our knowledge and belief, the aims and operations, business, affairs and activities of the Bank in relation to its Islamic financial business for the financial year ended 31 December 2019 have been conducted in conformity with Shariah.

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

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

Signed on behalf of the Committee in accordance with a resolution of the Shariah Committee dated 20 May 2020.

Assoc. Prof. Dr. Aznan bin Hasan
Chairman

Assoc. Prof. Dr. Noraini binti Mohd Ariffin
Member of the Committee

Kuala Lumpur, Malaysia

Independent Auditors' Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 96 to 226.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of Bank as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and the Annual Report but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

The Annual Report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Independent Auditors' Report
To the Members of Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and 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 Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditors' Report
To the Members of Bank Pembangunan Malaysia Berhad
(Incorporated in Malaysia)

OTHER MATTERS

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

Ernst & Young PLT
202006000003 (LLP0026760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
20 May 2020

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2021 J
Chartered Accountant

Statements of Financial Position

As at 31 December 2019

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Cash and short term deposits	4(a)	2,648,922	2,311,748	2,371,020	2,020,160
Deposits and placements with financial institutions	4(b)	924,915	38,055	882,828	–
Financial investments at fair value through profit or loss	5	–	–	–	–
Financial investments at fair value through other comprehensive income	6	5,023,965	3,719,952	5,019,020	3,717,174
Financial investments at amortised cost	7	–	22	–	–
Loans, financing and advances	8	15,701,772	18,284,672	15,545,685	18,127,583
Other assets	9	228,221	178,516	206,854	139,938
Investments in subsidiaries	10	–	–	255,426	256,641
Interest in associates	11	539	533	–	–
Interest in joint ventures	12	–	–	–	–
Property, plant and equipment	13	86,511	81,600	86,357	81,434
Investment properties	14	337	601	337	345
Intangible assets	15	6,790	6,985	6,596	6,617
Right-of-use assets	16(a)	357	–	314	–
Deferred tax assets	17	40,521	111,425	36,939	108,947
		24,662,850	24,734,109	24,411,376	24,458,839
Assets classified as held for sale	45	254	–	–	–
Total assets		24,663,104	24,734,109	24,411,376	24,458,839

Statements of Financial Position

As at 31 December 2019

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Liabilities					
Deposits from customers	18	5,492,175	6,412,169	5,492,175	6,412,169
Deposits and placements from financial institutions	19	1,032,669	100,354	1,032,669	100,354
Other liabilities	20	122,449	120,254	79,893	78,513
Redeemable notes/Sukuk	21	7,293,172	7,343,958	7,293,172	7,343,958
Borrowings	22	2,175,728	2,681,874	2,175,728	2,681,874
Infrastructure support fund	23	439,129	304,166	439,129	304,166
Deferred income	24	212,255	219,962	212,255	219,962
Lease liabilities	16(b)	354	–	309	–
Deferred tax liabilities	17	383	245	–	–
Total liabilities		16,768,314	17,182,982	16,725,330	17,140,996
Equity attributable to equity holders of the Bank					
Share capital	25	3,078,724	3,078,724	3,078,724	3,078,724
Reserves	26	4,803,738	4,456,111	4,607,322	4,239,119
		7,882,462	7,534,835	7,686,046	7,317,843
Non-controlling interests		12,328	16,292	–	–
Total equity		7,894,790	7,551,127	7,686,046	7,317,843
Total equity and liabilities		24,663,104	24,734,109	24,411,376	24,458,839
Commitments and contingencies	40(a)	7,532,222	6,257,513	7,313,415	6,046,597

The accompanying notes form an integral part of the financial statements

Statements of Profit or Loss

For the Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Interest income	28	721,400	758,618	700,313	733,454
Interest expense	29	(238,540)	(262,768)	(238,537)	(262,768)
Net interest income		482,860	495,850	461,776	470,686
Net income from Islamic financial business	49	311,417	297,848	307,651	293,618
Non-interest income	30	27,128	26,580	60,375	23,420
Refund of government compensation	31	(134,963)	–	(134,963)	–
Net income		686,442	820,278	694,839	787,724
Overhead expenses	32	(113,533)	(107,351)	(104,527)	(101,021)
Loss on deconsolidation of dissolved companies	10(b)	(41,316)	–	–	–
Allowance for impairment losses of loans, financing and advances	35	(95,774)	(423,224)	(98,432)	(441,118)
Allowance for impairment losses on other assets	36	(56,105)	(16,570)	(57,147)	(27,446)
Operating profit		379,714	273,133	434,733	218,139
Share of profit/(loss) of associates and joint ventures		6	(12,445)	–	–
Profit before taxation and zakat		379,720	260,688	434,733	218,139
Taxation	37	(103,833)	(75,890)	(98,667)	(66,879)
Zakat		(24,296)	(17,488)	(21,126)	(14,972)
Net profit for the year		251,591	167,310	314,940	136,288

Statements of Profit or Loss

For the Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Attributable to:					
Equity holders of the Bank					
Profit for the year attributable to equity holders of the Bank		251,770	171,213	314,940	136,288
Non-controlling interests					
Loss for the year attributable to non-controlling interests of the Bank		(179)	(3,903)	–	–
		251,591	167,310	314,940	136,288
Earnings per share attributable to the equity holders of the Bank:					
Basic/diluted earnings per share (sen)	39				
– from operations		8.18	5.56		

The accompanying notes form an integral part of the financial statements

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit for the year	251,591	167,310	314,940	136,288
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
Net change in revaluation of equity instruments at fair value through other comprehensive income	327	(48,019)	(1,840)	(45,986)
Items that may be reclassified to profit or loss:				
Translation differences in respect of foreign operations	37,162	2,013	–	–
Debt instruments at fair value through other comprehensive income:				
– Net change in fair value during the year	137,500	14,504	137,500	14,504
– Changes in allowance for expected credit losses	55,958	6	55,958	6
	230,947	(31,496)	191,618	(31,476)
Income tax effect (Note 17)	(38,875)	8,233	(38,355)	7,745
	(38,875)	8,233	(38,355)	7,745
Other comprehensive income/(loss) for the year, net of tax	192,072	(23,263)	153,263	(23,731)
Total comprehensive income for the year	443,663	144,047	468,203	112,557
Total comprehensive income/(loss) attributable to:				
Equity holders of the Bank	447,627	146,209	468,203	112,557
Non-controlling interests	(3,964)	(2,162)	–	–
	443,663	144,047	468,203	112,557

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2019

		Attributable to equity holders of the Bank								
		Non-distributable								
Group	Note	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Exchange translation reserve/ (deficit) RM'000	Distributable retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019		3,078,724	1,000	1,994,631	5,401	(47,944)	2,503,023	7,534,835	16,292	7,551,127
Total comprehensive income/(loss) for the financial year		–	–	–	154,910	40,947	251,770	447,627	(3,964)	443,663
Transfer to statutory reserve		–	–	78,735	–	–	(78,735)	–	–	–
Dividend paid	38	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
At 31 December 2019		3,078,724	1,000	2,073,366	160,311	(6,997)	2,576,058	7,882,462	12,328	7,894,790
At 1 January 2018		3,078,724	1,000	1,960,559	30,677	(48,216)	2,465,882	7,488,626	18,454	7,507,080
Total comprehensive (loss)/income for the financial year		–	–	–	(25,276)	272	171,213	146,209	(2,162)	144,047
Transfer to statutory reserve		–	–	34,072	–	–	(34,072)	–	–	–
Dividend paid	38	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
At 31 December 2018		3,078,724	1,000	1,994,631	5,401	(47,944)	2,503,023	7,534,835	16,292	7,551,127

The accompanying notes form an integral part of the financial statements

Statement of Changes in Equity

For the Financial Year Ended 31 December 2019

		← Non-distributable		→		
Bank	Note	Share capital RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2019		3,078,724	1,994,631	6,486	2,238,002	7,317,843
Total comprehensive income for the financial year		–	–	153,263	314,940	468,203
Transfer to statutory reserve		–	78,735	–	(78,735)	–
Dividend paid	38	–	–	–	(100,000)	(100,000)
At 31 December 2019		3,078,724	2,073,366	159,749	2,374,207	7,686,046
At 1 January 2018		3,078,724	1,960,559	30,217	2,235,786	7,305,286
Total comprehensive (loss)/income for the financial year		–	–	(23,731)	136,288	112,557
Transfer to statutory reserve		–	34,072	–	(34,072)	–
Dividend paid	38	–	–	–	(100,000)	(100,000)
At 31 December 2018		3,078,724	1,994,631	6,486	2,238,002	7,317,843

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

For the Financial Year Ended 31 December 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	379,720	260,688	434,733	218,139
Adjustment for:				
Share of (profit)/loss of associates and joint ventures	(6)	12,445	–	–
Refund of government compensation (Note 31)	134,963	–	134,963	–
Depreciation of property, plant and equipment (Note 32(ii))	3,841	4,015	3,767	3,940
Depreciation of investment properties (Note 32(ii))	10	10	8	7
Amortisation of intangible assets (Note 32(ii))	2,447	2,640	2,273	2,467
Depreciation of right-of-use assets (Note 32(ii))	140	–	127	–
Gain on disposal of property, plant and equipment (Note 30(b))	–	(216)	–	(167)
Gain on disposal of asset held for sale (Note 30(b))	–	(161)	–	–
Net gain on disposal of financial investment at FVOCI (Note 30(a) and 49(l))	(43,020)	(10,959)	(43,020)	(10,959)
Unrealised loss on revaluation of financial investment at FVTPL (Note 30(a))	–	1,712	–	1,712
Dividend income:				
Financial investments at FVTPL (Note 30(a))	(25)	(7,348)	(25)	(7,348)
Subsidiaries (Note 30(a))	–	–	(36,040)	–
Accretion of discount less amortisation of premium of financial investments (Note 28 and 49(l))	(11,098)	(126)	(11,098)	(126)
Impairment allowance/(written back) for:				
Financial investments at FVOCI (Note 36)	55,958	6	55,958	6
Investment properties (Note 36)	–	30	–	–
Investment in subsidiaries (Note 36)	–	–	1,215	27,663
Gain on foreign exchange (Note 30(b))	–	(133)	–	–
Allowances for impairment losses on loans, financing and advances, net (Note 35)	99,090	455,302	98,081	473,580
Balance carried forward	622,020	717,905	640,942	708,914

Statements of Cash Flows
For the Financial Year Ended 31 December 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (cont'd)				
Balance brought forward	622,020	717,905	640,942	708,914
Impaired loans and other assets written off (Note 35 and 36)	15,593	728	13,921	220
Allowance for ex-staff loan/financing (Note 36)	–	52	–	52
Gain due to debt/financing modification (Note 30(b), 49(k) and 49(l))	(2,736)	(8,527)	(2,736)	(8,527)
Compensation from the Government (Note 28 and Note 49(l))	(129,364)	(133,615)	(129,364)	(133,615)
Operating cash flows before working capital changes	505,513	576,543	522,763	567,044
(Increase)/decrease in operating assets:				
Deposits and placements with financial institutions	(886,860)	(38,055)	(882,828)	–
Loans, financing and advances	2,475,947	720,821	2,479,669	672,868
Other assets	(102,287)	(18,039)	(114,654)	(19,755)
	1,486,800	664,727	1,482,187	653,113
(Decrease)/increase in operating liabilities:				
Deposits from customers	(919,994)	(1,748,300)	(919,994)	(1,748,300)
Deposit and placements from financial institutions	932,315	100,354	932,315	100,354
Other liabilities	150,064	2,016	111,079	(5,485)
	162,385	(1,645,930)	123,400	(1,653,431)
Cash generated from/(used in) operating activities	2,154,698	(404,660)	2,128,350	(433,274)
Interest expense on lease liabilities	(24)	–	(21)	–
Income taxes paid	(91,399)	(97,766)	(87,886)	(82,794)
Zakat paid	(17,282)	(15,847)	(17,282)	(15,847)
Net cash generated from/(used in) operating activities	2,045,993	(518,273)	2,023,161	(531,915)
Cash flows from investing activities				
Dividend income from:				
Financial investments at FVTPL (Note 30(a))	25	7,348	25	7,348
Subsidiaries	–	–	36,040	–
Purchase of financial investments at FVOCI	(6,764,496)	(1,794,521)	(6,764,496)	(1,794,521)
Balance carried forward	(6,764,471)	(1,787,173)	(6,728,431)	(1,787,173)

Statements of Cash Flows
For the Financial Year Ended 31 December 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities (cont'd)				
Balance brought forward	(6,764,471)	(1,787,173)	(6,728,431)	(1,787,173)
Purchase of property, plant and equipment (Note 13)	(8,752)	(3,541)	(8,690)	(3,291)
Purchase of intangible assets (Note 15)	(2,252)	(1,313)	(2,252)	(1,309)
Proceeds from disposal of financial investments at FVTPL	–	199,296	–	199,296
Proceeds from disposal/maturity of financial investments at FVOCI	5,657,015	3,079,267	5,657,015	3,079,267
Proceeds from disposal of property, plant and equipment	–	344	–	191
Proceeds from asset held for sale	–	472	–	–
Net cash outflow on dissolution of subsidiaries (Note 10(b))	(405)	–	–	–
Net cash (used in)/generated from investing activities	(1,118,865)	1,487,352	(1,082,358)	1,486,981
Cash flows from financing activities				
Net repayments of long-term loans	(500,000)	(100,000)	(500,000)	(100,000)
Net repayment of bills and acceptance payables	–	(250,000)	–	(250,000)
Net repayment of redeemable notes	(50,000)	(50,000)	(50,000)	(50,000)
Proceeds from Government compensation	60,189	124,818	60,189	124,818
Dividend paid (Note 38)	(100,000)	(100,000)	(100,000)	(100,000)
Payment of principal portion of lease liabilities	(143)	–	(132)	–
Net cash used in financing activities	(589,954)	(375,182)	(589,943)	(375,182)
Net increase in cash and cash equivalents	337,174	593,897	350,860	579,884
Cash and cash equivalents at beginning of financial year	2,311,748	1,717,851	2,020,160	1,440,276
Cash and cash equivalents at end of financial year	2,648,922	2,311,748	2,371,020	2,020,160
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 4(a))	2,648,922	2,311,748	2,371,020	2,020,160

The accompanying notes form an integral part of the financial statements

Notes to the Financial Statements
31 December 2019

1. CORPORATE INFORMATION

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

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

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

The Bank is principally engaged to provide medium to long term credit and financing facilities under both Conventional and Islamic Financial Business principles to finance infrastructure projects, maritime, oil & gas, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy. The principal activities of the subsidiary companies are as disclosed in Note 46.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 20 May 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Preparation

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

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

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 47(c).

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

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been reclassified to conform with current year's presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in Accounting Policies

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

On 1 January 2019, the Group and the Bank adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2019.

Description	Effective for annual period beginning on or after
MFRS 16 Leases	1 January 2019
MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 128 Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements to MFRS Standards 2015–2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

MFRS 16 Leases

The Group and the Bank has adopted MFRS 16 as issued by MASB in April 2016 with a date of transition of 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group and the Bank did not early adopt MFRS 16 in previous periods.

As permitted by the transitional provisions of MFRS 16, the Group and the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

At inception, the Group and the Bank opted for Modified Retrospective Approach whereby the Day 1 opening balance for right-of-use ("ROU") assets is the same as the Day 1 opening balance for lease liability. The Group and the Bank elects to use the exemptions allowed by the standard on lease contracts for which the lease term ends within 12 months as at the date of initial application and lease contracts for which the underlying assets is of low value.

The adoption of MFRS 16 has resulted in changes in the accounting policies for recognition and measurement of ROU assets and lease liabilities in the financial statements. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. Set out below are disclosures relating to the impact of the adoption of MFRS 16 on the Group and the Bank.

On 1 January 2019, the opening balance for both the ROU assets and lease liabilities relating to lease of equipment are as follows:

	Group RM'000	Bank RM'000
Lease obligation	409	353

MFRS 16 requires separate presentation of the interest expense on the lease liability and the depreciation charge for the ROU asset in the lessee's statements of profit or loss. The interest expense on the lease liability is a component of finance costs, which MFRS 101 requires to be presented separately in the statements of profit or loss.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Changes in Accounting Policies (cont'd)

MFRS 16 Leases (cont'd)

The annual depreciation and interest expense amount calculated as at 31 December 2019 are as follows:

	Group RM'000	Bank RM'000
Depreciation expense	140	127
Interest expense	24	21

In the statements of cash flows, a lessee is required to classify cash payments for the principal portion of the lease liability within financing activities. Cash payments for the interest portion of the lease liability are classified by applying the requirements in MFRS 107 for interest paid. Furthermore, short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified within operating activities.

2.3 Standards Issued but not yet Effective

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

Description	Effective for annual period beginning on or after
Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)	1 January 2020
MFRS 17 Insurance Contract	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

2.4 Summary of Significant Accounting Policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

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

- Power over the investee i.e. existing rights that give the current ability to direct the relevant activities of the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its return.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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

(i) Subsidiaries (cont'd)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether Group has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. In the Bank separate financial statements, investments in subsidiaries are stated at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(h). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the statements of profit or loss. Dividends received from subsidiaries are recorded as a component of revenue in the Bank separate statement of profit or loss.

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

(ii) Basis of consolidation

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

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

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

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

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

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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

(iii) Business combinations and goodwill

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

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

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

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

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

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

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(b) Investment in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(c) Foreign currency transactions

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Group and the Bank and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translation of monetary items at the reporting date are recognised in the statements of profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the statements of profit or loss of the Group and on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statements of profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign operations

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

(d) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 2.4(h), below. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation, respectively.

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

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

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

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful life, as follows:

Leasehold land and buildings	19 – 50 years
Vessels	5 – 30 years
Furniture and equipment	3 – 10 years
Partitioning, installation and renovations	3 – 20 years
Motor vehicles	5 – 8 years

The residual values, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the statements of profit or loss.

(e) Investment properties

Investment properties principally comprise properties held for long term rental yields or capital appreciation or both and which are not occupied by the Group and the Bank. Investment property is carried at cost less accumulated depreciation and any impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 2.4(h), below.

Freehold land is not depreciated. Freehold building is depreciated at an annual rate of 2%, calculated on a straight line basis to write off the cost of each building over the estimated useful life.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day-to-day servicing of that property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statements of profit or loss in the year in which they arise.

(f) Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible asset are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible asset with finite lives is recognised in statements of profit or loss in the expense category consistent with the function of the intangible asset.

Computer softwares were acquired separately and are amortised on a straight line basis over the useful lives of 3 – 5 years.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(g) Leases

The Group and the Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Right-of-use assets

The Group and the Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Other equipment	5 years

If ownership of the leased asset transfers to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

The Group and the Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(iv) Operating lease – the Group as lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(h) Impairment of non-financial assets

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Bank make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis. Impairment losses are recognised in statements of profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in statements of profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

(i) Financial assets

Financial assets and liabilities are recognised in the statements of financial position when the Group and the Bank has become a party to the contractual provisions of the instruments.

All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised or derecognised on the trade date.

When financial assets or financial liabilities are recognised initially, they are measured at fair value, plus, in the case of financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities, such as fees and commissions. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss.

Immediately after initial recognition, expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Classification and subsequent measurement

Financial assets

The Group and the Bank determines the classification of their financial assets at initial recognition based on the following measurement categories:

– Fair value through profit or loss ("FVTPL");

– Fair value through other comprehensive income ("FVOCI"); or

– Amortised cost.

To determine their classification and measurement category, the financial assets, except equity instruments and derivatives, is assessed based on a combination of the Bank business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group and the Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

(a) Business model 1 – Hold to Collect (Amortised cost)
Business objective is to collect contractual cash flows over the life of the financial assets. Sales should be insignificant in value or infrequent.

(b) Business model 2 – Hold to Collect and Sell (FVOCI)
Business objective is both to collect contractual cash flows and sell financial assets. Debt instruments under this business model are mainly those with the objectives to:

(i) Manage everyday liquidity needs e.g. frequent sales activity of significant value to demonstrate liquidity or to cover everyday liquidity needs, without the intention of short-term profit taking;

(ii) Maintain a particular interest/profit yield profile e.g. active management of the portfolio on an opportunistic basis to increase return by reinvesting in higher yielding financial assets; and

(iii) Match the duration of the financial assets to the duration of the liabilities which funds those assets.

(c) Business Model 3 – FVTPL
Business objective is neither Business Model 1 nor Business Model 2. Debt instruments are mainly held for trading and managed on a fair value basis.

Solely Payments of Principal and Interest/Profit ("SPPI/SPPP") test
As a second step, SPPI/SPPP test must be carried out for all financial assets to identify if contractual cash flows are 'solely payment of principal and interest/profit on the principal amount outstanding' which is consistent with a 'basic lending/financing arrangement'.

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

The most significant elements of interest/profit within a lending/financing arrangement are typically the consideration for the time value of money, credit risk, other basic lending/financing risks and a profit margin that is consistent with a basic lending/financing arrangement. To perform the SPPI/SPPP assessment, the Group and the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest/profit rate is set.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Classification and subsequent measurement (cont'd)

Financial assets (cont'd)

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest/profit.

The Group and the Bank reclassified debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occured during the period.

Financial assets – Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI/SPPP, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit allowance recognised and measured. Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

Financing and advances

Financing and advances consist of *Murabahah, Tawarruq, Ijarah (includes Ijarah Muntahiyah bi Tamlik), Istisna', Kafalah* and *Bai' Bithaman Ajil*. These contracts, except for *Kafalah*, are recognised at amortised cost, including direct and incremental transaction costs using effective profit method. These contracts are stated at net of unearned income and any amounts written off and/or impaired.

Definition of Shariah concept:

(a) *Murabahah:* It refers to a sale and purchase of an asset where the acquisition cost and the mark-up are disclosed to the purchaser. The sale price is payable by the purchaser usually on deferred terms.

(b) *Tawarruq:* It basically consists of two sale and purchase contracts. The first involves the sale of an asset by a seller to a purchaser on a deferred basis. Subsequently, the purchaser of the first sale will sell the same asset to a third party on a cash and spot basis.

(c) *Istisna':* It refers to a contract which a seller sells to a purchaser an asset which is yet to be constructed, built or manufactured according to agreed specifications and delivered on an agreed specified future date at an agreed pre-determined sale price.

(d) *Ijarah:* It refers to a contract that transfers ownership of a permitted usufruct and/or service for a specified period in exchange for a specified consideration. It includes variations of this contract i.e. Ijarah Muntahiyah bi Tamlik, where it is accompanied with an option to transfer the ownership of the leased asset to the lessee at the end of the lease period via acceptable means of ownership transfer. For financial reporting purpose the Ijarah contract meets the definition of finance lease.

(e) *Kafalah:* It refers to a contract where the guarantor conjoins the guaranteed party in assuming the latter's specified liability for a specified period.

(f) *Bai' Bithaman Ajil:* It refers to a sale contract based on deferred payment at certain price.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Classification and subsequent measurement (cont'd)

Debt instruments at FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest/profit, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/finance revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the debt instrument is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gain on disposal". Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

Financial assets at FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a financial investment that is substantially measured at FVTPL and is not part of hedging relationship is recognised in profit or loss and presented in the profit or loss statement within "Net investment income" in the period in which it arises. Interest/finance income from these financial assets is measured using the effective interest/profit rate method.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group and the Bank measures all equity investments at FVTPL, except where the Group and the Bank has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI (with no recycling) provided that is neither held for trading nor a contingent consideration recognised by acquirer in a business combination.

For equity instruments elected on FVOCI (no recycling), gain or loss on disposal is recognised in equity and dividends are recognised in profit or loss.

Impairment

The Group and the Bank assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial investment instruments assets carried at amortised cost and FVOCI with the exposure arising from loan, financing and advances commitments and financial guarantee contracts. Equity instruments are not subject to impairment assessment.

The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (cont'd)

The ECL model also applies to contract assets under MFRS 15 Revenue from Contracts with Customers and lease receivables under MFRS 16 Leases. The Group and the Bank will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

– Stage 1: 12-month ECL

  For exposures where there has not been a significant increase in credit risk since initial recognition or where credit risk has improved and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

– Stage 2: Lifetime ECL – non-credit impaired

  For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.

– Stage 3: Lifetime ECL – credit impaired

  Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Both 12 months ECL and life time ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The calculation of ECL

The Group and the Bank calculates ECL to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

– Probability of Default ("PD")

  The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

– Exposure at Default ("EAD")

  The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest/profit, whether scheduled by contract or otherwise, expected draw downs on committed facilities.

– Loss Given Default ("LGD")

  The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender/financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (cont'd)

The calculation of ECL (cont'd)

The mechanics of the ECL methods are summarised below:

– Stage 1

The 12 months ECL is calculated as the portion of life time ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. This expected 12-month default probability is applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

– Stage 2

When a financial asset has shown a significant increase in credit risk since origination, the Group and the Bank records an allowance for the life time ECL. The mechanics are similar to those explained above, but PD and LGD are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

– Stage 3

If the financial asset is credit impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised loans/financing or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Interest/finance income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. The interest/finance income is recorded as part of 'interest/finance income' in the statements of profit or loss.

– Loan, financing and advances commitments and letters of credit

When estimating life time ECL for undrawn loan, financing and advances commitments, the Group and the Bank estimates the expected portion of the loan, financing and advances commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan, financing and advances is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the instrument.

– Financial guarantee contracts

The Group and the Bank liability under each guarantee is measured at the higher of the amount initially recognised less the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest/profit rate relevant to the exposure. The ECL related to financial guarantee contracts are recognised within provisions.

– Other financial assets

The Group and the Bank is applying simplified approach to assess the ECL for other financial assets. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. The loss allowance should be measured at initial recognition and throughout the life of the other financial assets at an amount equal to lifetime ECL. The simplified approach adopted for the Group and the Bank is based on weighted average of the historical loss experience.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(i) Financial assets (cont'd)

Impairment (cont'd)

Debt instruments measured at FVOCI

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

Fair value determination

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. The fair value of financial instruments traded in active markets are based on quoted market price or dealer price quotation.

For all other financial assets, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models, based on observable data in respect of similar financial instruments and using inputs (such as yield curve) existing at the reporting date.

Derecognition

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred, cancelled or expired. Upon derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to the statements of profit or loss.

(j) Financial liabilities

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

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised at amortised cost. Financial liabilities measured at amortised cost include deposits from customers, debt securities/sukuk issued and other borrowed funds. Financial liabilities are derecognised when they are redeemed or extinguished.

(k) Bills and acceptance payable

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

(l) Equity instruments

An equity instrument is any contract that evidences a residual interest/profit in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(m) Employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus if the Group and the Bank have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group and the Bank contribution to the Employees Provident Fund are charged to the statements of profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

(n) Government grants

Government grants are recognised at their fair value in the statements of financial position where there is a reasonable assurance that the grants will be received and all attaching conditions will be complied with. The Government grants are presented in the statements of financial position as "Infrastructure Support Fund" ("ISF") and "deferred income".

ISF relates to fund received from the Government to cover the potential risk of loan/financing default, any allowance for impairment losses, write-off and other liquidity requirements that may arise. It is also to cover the contingent liabilities of the Bank i.e. guarantees, standby credits and performance bonds.

Deferred income comprises claims received in relation to profit rate differentials on financing of Government infrastructure project.

Grants that compensate the Group and the Bank for expenses incurred are recognised as income over the period necessary to match the grants on a systematic basis to the costs that it is intended to compensate.

(o) Provisions

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

Notes to the Financial Statements
31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(p) Contingent liabilities

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers/customers and litigation cases against the Group and the Bank. Contingent liabilities are disclosed in the notes to the accounts, unless the possibility of an outflow of resources embodying economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Disposal groups and assets held for sale

Non-financial assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable MFRSs. Then, on initial classification as held for sale, non-financial assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with MFRS 5: Non-current Assets Held for Sale and Discontinued Operations; that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in the statements of profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resell.

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Interest/profit and similar income

For all financial instruments measured at amortised cost, interest/profit bearing financial assets classified as FVOCI and financial instruments designated at FVTPL, interest/finance income is recorded using the effective interest/profit rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, interest/finance income continues to be recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(r) Revenue (cont'd)

(ii) Islamic Financial Business income recognition

Income from financing and receivables is recognised in the statements of profit or loss using the effective profit method. The effective profit rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The calculation of the effective profit rate includes all contractual terms of the financial instruments and includes any fees incremental costs that are directly attributable to the instruments and are an integral part of the effective profit rate.

Sale-based Financing *(Murabahah, Tawarruq, Istisna'* and *Bai' Bithaman Ajil)*

Income are accrued on monthly basis on the cost outstanding at the prevailing effective profit rate over the duration of the financing.

Lease-based Financing *(Ijarah and Ijarah Muntahiyah bi Tamlik)*

Finance income is recognised on the effective profit rate of the cost of leased asset over the lease period.

Fee income

Fee-based income from charging administrative fees such as processing fee, arrangement fee and facility fee is recognised upon satisfaction of performance obligation. Fee-based income is also derived from provision of guarantee based on *kafalah* contract.

(iii) Income recognition for leasing, hire purchase financing, pre-factoring and factoring

Income earned on leasing, hire purchase, pre-factoring and factoring financing is recognised based on the effective interest/profit method.

(iv) Dividend income

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

(s) Income Taxes

(i) Current tax

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

Current taxes are recognised in the statements of profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

(s) Income Taxes (cont'd)

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the statements of profit or loss is recognised outside the statements of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements with original maturity of less than one month held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements involved making certain judgements and estimates, that affect the accounting policies applied and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial statements in the period of which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on amount recognised in the financial statements include the following:

Judgements

In the process of applying the Group and the Bank accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements.

(a) Impairment of financial investments portfolio (Note 6, Note 7 and Note 36)

The Group and the Bank review the debt instruments at FVOCI and financial investments at amortised cost under MFRS 9 which requires the recognition of ECL at each reporting date to reflect changes in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the review, the following management's judgment are required:

(i) Determination whether the investment is impaired or has significant increase in credit risk based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of ECL that reflect:

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

(b) The time value of money; and

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

(b) Impairment of loans, financing and advances (Note 8 and Note 35)

The Group and the Bank make certain judgement in determining the ECL to be recognised on loans, financing and advances. The Group and the Bank ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) Internal credit grading model, which assigns PDs to the individual grades;

(ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime Expected Credit Loss basis and the qualitative assessment;

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements (cont'd)

(b) Impairment of loans, financing and advances (Note 8 and Note 35) (cont'd)

The Group and the Bank make certain judgement in determining the ECL to be recognised on loans, financing and advances. The Group and the Bank ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include (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 oil price forecast, USD exchange rate, KLIBOR and the effect on PD, EAD and LGD, including assessing for potential impact from the deterioration in oil price and the Corona Virus outbreak ("Covid-19") in 2020;

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

(vii) The net realisable value of collateral.

(c) Impairment of investment in subsidiaries (Note 10), interest in associates (Note 11) and JVs (Note 12)

The Group and the Bank assess whether there is any indication that an investment in subsidiaries, interest in associates and JVs may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review which comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgments made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries, interest in an associates and JVs are as follows:

(i) The Group and the Bank determine whether its investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and

(ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

Estimates

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future period affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the followings:

(a) Allowance for impairment of investment in subsidiaries (Note 10), interest in associates (Note 11) and JVs (Note 12)

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year.

Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

Notes to the Financial Statements
31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates (cont'd)

(b) Income taxes (Note 37)

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

(c) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4(a). CASH AND SHORT TERM DEPOSITS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with other financial institutions	14,306	55,332	2,933	36,142
Money at call and deposit placements maturing within one month	2,634,616	2,256,416	2,368,087	1,984,018
	2,648,922	2,311,748	2,371,020	2,020,160

4(b). DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	924,915	38,055	882,828	–

The weighted average effective interest rates ("WAEIR") of deposits and the average maturity of deposits of the Group and the Bank at the reporting date were as follows:

	Group		Bank	
	2019	2018	2019	2018
WAEIR (%)	3.25	3.45	3.24	3.41
Average maturity (Days)	62	41	49	16

Notes to the Financial Statements
31 December 2019

5. FINANCIAL INVESTMENTS AT FVTPL

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

6. FINANCIAL INVESTMENTS AT FVOCI

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Debt Instruments:				
Money market instruments:				
Malaysian Government Securities	–	319,847	–	319,847
Government investment issues	1,640,721	1,064,075	1,640,721	1,064,075
Cagamas	20,252	50,510	20,252	50,510
	1,660,973	1,434,432	1,660,973	1,434,432
Unquoted securities:				
Corporate bonds and sukuk	3,256,877	2,179,732	3,256,877	2,179,732
	3,256,877	2,179,732	3,256,877	2,179,732
Equity Securities:				
Quoted securities:				
Shares	106,115	105,788	101,170	103,010
	106,115	105,788	101,170	103,010
Total financial investments at FVOCI	5,023,965	3,719,952	5,019,020	3,717,174

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

		Lifetime ECL		
2019 Group and Bank	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January	286	–	–	286
Net allowance made	1,853	54,105	–	55,958
New financial investments purchased	78	20,936	–	21,014
Net allowance additional	1,775	33,169	–	34,944
At 31 December	2,139	54,105	–	56,244

Notes to the Financial Statements
31 December 2019

6. FINANCIAL INVESTMENTS AT FVOCI (cont'd)

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

		Lifetime ECL		
2018 Group and Bank	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January	280	–	–	280
Net allowance made	6	–	–	6
New financial investments purchased	17	–	–	17
Net allowance written back	(11)	–	–	(11)
At 31 December	286	–	–	286

7. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group		Bank	
At amortised cost	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted securities:				
Loan stock	–	22	–	–
Total financial investments at amortised cost	–	22	–	–

8. LOANS, FINANCING AND ADVANCES

	Group		Bank	
At amortised cost	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans, financing and advances to industries:				
Government guaranteed	181,104	1,623,970	181,104	1,623,970
Others	18,052,441	19,153,941	17,873,365	18,963,596
	18,233,545	20,777,911	18,054,469	20,587,566
Loans, financing and advances to others:				
Staff loan/financing	5,236	6,583	5,236	6,583
	5,236	6,583	5,236	6,583
Gross loans, financing and advances	18,238,781	20,784,494	18,059,705	20,594,149
Allowance for impairment on loans, financing and advances				
– Stage 1: 12-Month ECL	(870,590)	(751,857)	(864,539)	(748,458)
– Stage 2: Lifetime ECL not credit impaired	(270,967)	(423,534)	(270,538)	(422,327)
– Stage 3: Lifetime ECL credit impaired	(1,395,452)	(1,324,431)	(1,378,943)	(1,295,781)
	(2,537,009)	(2,499,822)	(2,514,020)	(2,466,566)
Net loans, financing and advances	15,701,772	18,284,672	15,545,685	18,127,583

Notes to the Financial Statements
31 December 2019

8. LOANS, FINANCING AND ADVANCES (cont'd)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bai' Bithaman Ajil	89,692	141,654	86,745	141,654
Bridging financing	–	6,776	–	–
Factoring	31,165	19,726	–	–
Hire purchase	93,495	108,327	–	–
Istisna'	2,772,582	3,246,867	2,772,582	3,246,867
Ijarah Muntahiyah bi Tamlik	52,078	52,534	20,693	21,616
Leasing	12,261	22,918	–	–
Murabahah	8,315	9,273	8,315	9,273
Revolving financing	–	263	–	–
Revolving working capital	160,995	176,592	160,995	176,592
Staff loan/financing	5,236	6,583	5,236	6,583
Tawarruq	9,544,462	7,521,448	9,539,493	7,520,031
Term loan	5,468,500	9,471,533	5,465,646	9,471,533
Gross loans, financing and advances	18,238,781	20,784,494	18,059,705	20,594,149
Allowance for impairment on loans, financing and advances:				
– Stage 1: 12-Month ECL	(870,590)	(751,857)	(864,539)	(748,458)
– Stage 2: Lifetime ECL not credit impaired	(270,967)	(423,534)	(270,538)	(422,327)
– Stage 3: Lifetime ECL credit impaired	(1,395,452)	(1,324,431)	(1,378,943)	(1,295,781)
	(2,537,009)	(2,499,822)	(2,514,020)	(2,466,566)
Net loans, financing and advances	15,701,772	18,284,672	15,545,685	18,127,583

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic business enterprises	18,229,509	20,777,911	18,054,469	20,587,566
Individuals	9,272	6,583	5,236	6,583
	18,238,781	20,784,494	18,059,705	20,594,149

8. LOANS, FINANCING AND ADVANCES (cont'd)

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Fixed rate:				
Housing loans/financing	9,272	11,864	5,236	6,583
Hire purchase receivables	93,495	108,327	–	–
Other fixed rate loans/financing	11,066,427	12,504,442	10,984,882	12,427,705
Variable rate:				
Cost plus	4,791,538	4,617,812	4,791,538	4,617,812
Other variable rates	2,278,049	3,542,049	2,278,049	3,542,049
	18,238,781	20,784,494	18,059,705	20,594,149

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Agriculture, hunting and forestry	11	9	–	–
Construction	8,906,333	9,533,344	8,904,249	9,532,577
Education	1,871,106	1,964,077	1,871,106	1,964,077
Electricity, gas and water supply	142,277	2,148,740	142,277	2,148,740
Finance, insurance/takaful and business	91,821	95,220	–	–
Hotel and restaurants	1,244,934	1,237,980	1,217,259	1,216,808
Housing	5,236	6,583	5,236	6,583
Manufacturing	316,497	343,276	309,025	322,706
Marine related	181,999	50,334	181,999	50,334
Medical and pharmaceuticals	16,719	16,017	16,719	16,017
Other community, social and personal service activities	370,328	313,924	355,010	313,812
Public administration and defence	16,156	23,570	16,156	23,570
Real estate, renting and business activities	366,608	402,714	366,608	402,714
Shipping	1,155,554	864,706	1,155,554	864,706
Shipyard	130,339	157,597	130,339	157,597
Transport, storage and communication	3,422,863	3,626,403	3,388,168	3,573,908
	18,238,781	20,784,494	18,059,705	20,594,149

8. LOANS, FINANCING AND ADVANCES (cont'd)

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Maturity within one year	2,341,721	4,235,799	2,279,185	4,209,711
One year to three years	2,219,921	2,316,224	2,137,937	2,249,376
Three years to five years	2,099,661	2,748,524	2,065,105	2,678,308
Over five years	11,577,478	11,483,947	11,577,478	11,456,754
	18,238,781	20,784,494	18,059,705	20,594,149

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Within Malaysia	18,238,781	20,784,494	18,059,705	20,594,149

(vii) Movements in credit impaired loans, financing and advances are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At 1 January	2,276,895	2,706,332	2,246,791	2,653,317
Impaired during the financial year	221,640	580,780	216,792	566,695
Reclassified as non-impaired	(55,918)	(67,171)	(55,860)	(51,047)
Recovered during the financial year	(155,816)	(164,646)	(148,385)	(147,148)
Amount written off	(70,005)	(778,400)	(59,058)	(775,026)
At 31 December	2,216,796	2,276,895	2,200,280	2,246,791
Gross impaired loans, financing and advances as a % of gross loans, financing and advances	12.15%	10.95%	12.18%	10.91%

8. LOANS, FINANCING AND ADVANCES (cont'd)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Construction	447,613	414,501	445,544	414,047
Education	63,760	68,929	63,760	68,929
Electricity, gas and water supply	30,698	54,373	30,698	54,373
Finance, insurance/takaful and business	–	31	–	–
Hotel and restaurants	677,745	719,043	673,604	712,351
Manufacturing	88,141	129,312	88,121	112,928
Medical and pharmaceuticals	16,719	16,017	16,719	16,017
Other community, social and personal service activities	122,216	1	118,137	–
Shipping	608,768	705,726	608,768	705,726
Transport, storage and communication	161,136	168,962	154,929	162,420
	2,216,796	2,276,895	2,200,280	2,246,791

(ix) Movements in the allowance for impairment of loans, financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2019				
At 1 January	751,857	423,534	1,324,431	2,499,822
– Transfer to 12-month ECL (Stage 1)	9,565	(8,804)	(761)	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(72,374)	108,869	(36,495)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	–	(53,724)	53,724	–
Allowance made/(written back), net	181,542	(198,908)	116,456	99,090
Amount written off	–	–	(61,903)	(61,903)
At 31 December	870,590	270,967	1,395,452	2,537,009
2018				
At 1 January	595,832	545,876	1,680,392	2,822,100
– Transfer to 12-month ECL (Stage 1)	18,254	(6,440)	(11,814)	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(60,341)	78,496	(18,155)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(2,601)	(151,082)	153,683	–
Allowance made/(written back), net	200,713	(43,316)	297,905	455,302
Amount written off	–	–	(777,580)	(777,580)
At 31 December	751,857	423,534	1,324,431	2,499,822

8. LOANS, FINANCING AND ADVANCES (cont'd)

(ix) Movements in the allowance for impairment of loans, financing and advances are as follows (cont'd):

Bank	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2019				
At 1 January	748,458	422,327	1,295,781	2,466,566
– Transfer to 12-month ECL (Stage 1)	8,804	(8,804)	–	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(72,293)	107,240	(34,947)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	–	(53,193)	53,193	–
Allowance made/(written back), net	179,570	(197,032)	115,543	98,081
Amount written off	–	–	(50,627)	(50,627)
At 31 December	864,539	270,538	1,378,943	2,514,020
2018				
At 1 January	592,298	544,563	1,630,661	2,767,522
– Transfer to 12-month ECL (Stage 1)	6,422	(6,422)	–	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(58,320)	76,475	(18,155)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(2,528)	(150,993)	153,521	–
Allowance made/(written back), net	210,586	(41,296)	304,290	473,580
Amount written off	–	–	(774,536)	(774,536)
At 31 December	748,458	422,327	1,295,781	2,466,566

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9. OTHER ASSETS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Sundry receivables, deposits and prepayments	(i)	311,868	325,912	6,390	6,845
Less: Allowance for doubtful debts	(ii)	(292,910)	(292,998)	(581)	(607)
		18,958	32,914	5,809	6,238
Amount due from subsidiaries		–	–	590	590
Amount receivable from Government in respect of compensation for:					
Infrastructure projects		109,216	47,749	109,216	47,749
Foreign exchange differences		85,361	85,361	85,361	85,361
Tax recoverable		14,686	12,492	5,878	–
		228,221	178,516	206,854	139,938

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from Syarikat Borcos Shipping Sdn Bhd ("Borcos"), a former subsidiary of Global Maritime Ventures Berhad ("GMVB") amounting to RM289,563,000 (2018: RM289,463,000).

(ii) Allowance for doubtful debts

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At 1 January	292,998	293,221	607	830
Provided during the financial year:				
– Staff resigned	–	52	–	52
Recovered during the financial year:				
– Staff resigned	(17)	(270)	(17)	(270)
– Tenant	(9)	(5)	(9)	(5)
Amount written off	(62)	–	–	–
At 31 December	292,910	292,998	581	607

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10. INVESTMENTS IN SUBSIDIARIES

	Bank 2019 RM'000	Bank 2018 RM'000
Unquoted shares, at cost	922,939	922,939
Additional capital contribution due to waiver of debt	68,750	68,750
	991,689	991,689
Less: Allowance for impairment on investments in subsidiaries	(736,263)	(735,048)
	255,426	256,641
Movement of allowance for impairment:		
As at 1 January	735,048	707,385
Amount provided during the financial year	1,215	27,663
At 31 December	736,263	735,048

* Refer to Note 46 for the list of subsidiaries.

(a) Subsidiary with significant non-controlling interest

The summarised financial information of Global Maritime Ventures Berhad ("GMVB") which have significant non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination:

(i) Summarised statement of financial position

	GMVB 2019 RM'000	GMVB 2018 RM'000
Non current assets	5,205	5,248
Current assets	102,615	108,576
Total assets	107,820	113,824
Current liabilities	9,913	10,529
Total liabilities	9,913	10,529
Net assets	97,907	103,295
Equity attributable to the owners of the company	95,086	96,671
Carrying value of non-controlling interests	2,821	6,624

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10. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

(ii) Summarised statement of comprehensive income

	GMVB 2019 RM'000	GMVB 2018 RM'000
Other income	3,210	3,256
Administrative expenses	(1,800)	(10,844)
Share of profit/(loss) of joint ventures and associates	6	(20,950)
Loss on deconsolidation of dissolve companies	(41,316)	–
Loss before taxation	(39,900)	(28,538)
Income tax	(696)	(850)
Zakat	(1,955)	(1,751)
Loss for the year	(42,551)	(31,139)
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	40,917	389
	40,917	389
Total comprehensive loss for the year	(1,634)	(30,750)
Loss for the year attributable to:		
Equity holders of the parent	(42,533)	(31,122)
Non-controlling interest	(18)	(17)
	(42,551)	(31,139)
Total comprehensive loss attributable to:		
Equity holders of the parent	(1,585)	(30,850)
Non-controlling interest	(49)	100
	(1,634)	(30,750)

(iii) Summarised statement of cash flows

	GMVB 2019 RM'000	GMVB 2018 RM'000
Net cash generated from/(used in) operating activities	172	(2,912)
Net cash generated from/(used in) investing activities	41,072	(53,986)
Net increase/(decrease) in cash and cash equivalents	41,244	(56,898)
Cash and cash equivalents at beginning of financial year	33,436	90,334
Cash and cash equivalents at the end of the financial year	74,680	33,436

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10. INVESTMENTS IN SUBSIDIARIES (cont'd)

(b) Dissolution of subsidiaries

During financial year ended 2019, GMV Orkim and five companies under Wawasan Group, namely Permata Navigation, Gemala Navigation, Kencana Navigation, Ratna Navigation, and Mutiara Navigation had been dissolved and deconsolidated on 10 June 2019 and 23 September 2019 respectively.

Details of the deconsolidation of the subsidiaries as at the date of dissolution were as follows:

	Total RM'000
Assets	
Tax recoverable	319
Cash and bank balances	405
Amount due from related parties	12,496
	13,220
Liabilities	
Payable and accruals	131
	131
Net assets	13,089

	At the date of dissolution RM'000
Capital distribution received	9,173
Net identifiable assets disposed @ 100%	(13,089)
Transfer from foreign exchange reserves	(41,154)
Transfer from non-controlling interest	3,754
Loss on deconsolidation	(41,316)

The effect of the disposal on cash flows is as follows:

Cash and bank balances of dissolved companies	(405)
Cash outflow to the Group on dissolution	(405)

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11. INTEREST IN ASSOCIATES

	Group 2019 RM'000	Group 2018 RM'000
At cost:		
Unquoted ordinary shares	300	300
Group's share of post acquisition reserve	239	3,233
	539	3,533
Less: Dividend from associates	–	(3,000)
	539	533

Details of the associates incorporated in Malaysia are as follows:

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group 2019 %	Effective interest held by the Group 2018 %	Principal Activities
Held through GMVB, a subsidiary:			
Wawasan Bulk Services Sdn Bhd	27.0	27.0	Ship management
Held through SME Growth Acceleration Fund Sdn Bhd ("SME GAF"), a subsidiary:			
Ambang Wibawa Sdn Bhd *	26.0	26.0	Dormant
Cantuman Wawasan Sdn Bhd *	26.0	26.0	Dormant
Internexia Sdn Bhd *	26.0	26.0	Dormant
MS Time Ventures Sdn Bhd *	26.0	26.0	Dormant
Nano C Sdn Bhd *	26.0	26.0	Dormant
Profound Kestrel Laboratories Sdn Bhd *	49.0	49.0	Dormant
S.I.T Schiffs & Industries Tehcnic Sdn Bhd *	26.0	26.0	Dormant
Wellad Communications Sdn Bhd *	26.0	26.0	Dormant

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

Notes to the Financial Statements
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11. INTEREST IN ASSOCIATES (cont'd)

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

	Group 2019 RM'000	Group 2018 RM'000
(a) Summarised statement of financial position		
Total assets	1,838	1,924
Total liabilities	42	147
(b) Summarised statement of profit or loss		
Revenue	18	23
Profit for the year	22	37
(c) Reconciliation of the summarised financial information		
Net assets at 1 January	1,777	1,877
Profit for the financial year	22	37
Other comprehensive loss	(3)	(137)
Net assets at 31 December	1,796	1,777
Interest in associates	30%	30%
Carrying value of Group's interest in associates	539	533

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12. INTEREST IN JOINT VENTURES

	Group 2019 RM'000	Group 2018 RM'000
At cost:		
Unquoted ordinary shares	11,274	11,274
Group's share of post acquisition deficit	(11,274)	(11,274)
	–	–
Advances to joint ventures ("JVs"): within 1 year	8,412	8,239
Less: Allowance for doubtful debts	(8,412)	(8,239)
	–	–

The advances to JVs bear an interest of 5% (2018: 5%) per annum and are repayable on a quarterly basis over a period of 1 year.

Details of the JVs are as follows:

Name of JVs (incorporated in Malaysia)	Effective interest held by the Group 2019 %	Effective interest held by the Group 2018 %	Principal Activities
Held through GMVB, a subsidiary:			
Alam Eksplorasi (M) Sdn Bhd ^	36.00	36.00	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy III (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel

^ Collectively known as Alam Group

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12. INTEREST IN JOINT VENTURES (cont'd)

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

	2019 RM'000	2018 RM'000
(a) Summarised statement of financial position		
Assets:		
Current assets	93,583	70,389
Total assets	93,583	70,389
Liabilities:		
Current liabilities	149,955	122,869
Total liabilities	149,955	122,869
Net liabilities	(56,372)	(52,480)
(b) Summarised statement of profit or loss		
Revenue	–	4,281
Cost of sales	(7,970)	(9,592)
Gross loss	(7,970)	(5,311)
Other income	5,553	700
Operating expenses	(1,093)	(94,507)
Loss from operations	(3,510)	(99,118)
Finance costs	(510)	(1,048)
Loss before taxation	(4,020)	(100,166)
Taxation	128	–
Loss for the year	(3,892)	(100,166)
(c) Reconciliation of the summarised financial information		
Net (liabilities)/assets at 1 January	(52,480)	47,686
Loss for the year	(3,892)	(100,166)
Net liabilities at 31 December	(56,372)	(52,480)
Interests in joint ventures	33,823	31,487
Carrying value of Group's interest in joint ventures	(22,549)	(20,993)
Less: Cumulative unrecognised losses b/f	20,993	1,845
Share of unrecognised losses for the year	1,556	19,148
Net carrying value of Group's interest in joint ventures	–	–

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13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in-progress RM'000	Total RM'000
2019								
Cost								
At 1 January	17,973	71,617	25,370	2,058	2,978	40,339	840	161,175
Additions	–	–	2,721	394	–	31	5,606	8,752
Disposals/write-off	–	–	(95)	–	–	–	–	(95)
At 31 December	17,973	71,617	27,996	2,452	2,978	40,370	6,446	169,832
Accumulated depreciation								
At 1 January	–	15,284	22,745	881	1,447	39,218	–	79,575
Charge for the financial year	–	1,432	950	270	947	242	–	3,841
Disposals/write-off	–	–	(95)	–	–	–	–	(95)
At 31 December	–	16,716	23,600	1,151	2,394	39,460	–	83,321
Net carrying amount	17,973	54,901	4,396	1,301	584	910	6,446	86,511
2018								
Cost								
At 1 January	17,973	71,747	24,714	1,527	2,568	40,380	986	159,895
Additions	–	–	873	1,339	706	–	623	3,541
Reclassification	–	–	326	–	88	–	(414)	–
Transfer to intangible assets (Note 15)	–	–	–	–	–	–	(355)	(355)
Disposals/write-off	–	(130)	(543)	(808)	(384)	(41)	–	(1,906)
At 31 December	17,973	71,617	25,370	2,058	2,978	40,339	840	161,175
Accumulated depreciation								
At 1 January	–	13,982	22,058	1,499	956	38,843	–	77,338
Charge for the financial year	–	1,432	1,102	190	875	416	–	4,015
Disposals/write-off	–	(130)	(415)	(808)	(384)	(41)	–	(1,778)
At 31 December	–	15,284	22,745	881	1,447	39,218	–	79,575
Net carrying amount	17,973	56,333	2,625	1,177	1,531	1,121	840	81,600

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13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Bank	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in-progress RM'000	Total RM'000
2019								
Cost								
At 1 January	17,973	71,617	22,025	1,691	2,949	40,339	840	157,434
Additions	–	–	2,659	394	–	31	5,606	8,690
Disposals/write-off	–	–	(5)	–	–	–	–	(5)
At 31 December	17,973	71,617	24,679	2,085	2,949	40,370	6,446	166,119
Accumulated depreciation								
At 1 January	–	15,284	19,564	516	1,418	39,218	–	76,000
Charge for the financial year	–	1,432	876	270	947	242	–	3,767
Disposals/write-off	–	–	(5)	–	–	–	–	(5)
At 31 December	–	16,716	20,435	786	2,365	39,460	–	79,762
Net carrying amount	17,973	54,901	4,244	1,299	584	910	6,446	86,357
2018								
Cost								
At 1 January	17,973	71,617	21,381	813	2,155	40,380	986	155,305
Additions	–	–	623	1,339	706	–	623	3,291
Reclassification	–	–	326	–	88	–	(414)	–
Transfer to intangible assets (Note 15)	–	–	–	–	–	–	(355)	(355)
Disposals/write-off	–	–	(305)	(461)	–	(41)	–	(807)
At 31 December	17,973	71,617	22,025	1,691	2,949	40,339	840	157,434
Accumulated depreciation								
At 1 January	–	13,852	18,798	801	549	38,843	–	72,843
Charge for the financial year	–	1,432	1,047	176	869	416	–	3,940
Disposals/write-off	–	–	(281)	(461)	–	(41)	–	(783)
At 31 December	–	15,284	19,564	516	1,418	39,218	–	76,000
Net carrying amount	17,973	56,333	2,461	1,175	1,531	1,121	840	81,434

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14. INVESTMENT PROPERTIES

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cost				
At 1 January	682	682	382	382
Transfer to assets held for sale (Note 45)	(300)	–	–	–
At 31 December	382	682	382	382
Depreciation and impairment loss				
At 1 January	81	41	37	30
Charge for the financial year	10	10	8	7
Impairment	–	30	–	–
Transfer to assets held for sale (Note 45)	(46)	–	–	–
At 31 December	45	81	45	37
Carrying amount	337	601	337	345

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Included in the above are:				
Freehold land	–	140	–	–
Buildings	337	461	337	345
	337	601	337	345

(i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank to be RM400,000 (2018: RM830,000) and RM400,000 (2018: RM440,000) respectively which have been determined by an accredited independent valuer.

15. INTANGIBLE ASSETS

Computer software	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cost				
At 1 January	31,629	29,961	27,540	25,876
Addition	2,252	1,313	2,252	1,309
Transfer from property, plant and equipment (Note 13)	–	355	–	355
At 31 December	33,881	31,629	29,792	27,540
Amortisation				
At 1 January	24,644	22,004	20,923	18,456
Amortisation charged	2,447	2,640	2,273	2,467
At 31 December	27,091	24,644	23,196	20,923
Carrying amount	6,790	6,985	6,596	6,617

16. LEASES

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

Group 2019	Other Equipment RM'000	Total RM'000
Cost		
At 1 January	409	409
Addition during the year	88	88
At 31 December	497	497
Depreciation		
At 1 January	–	–
Charge for the financial year	140	140
At 31 December	140	140
Carrying amount	357	357

Bank 2019	Other Equipment RM'000	Total RM'000
Cost		
At 1 January	353	353
Addition during the year	88	88
At 31 December	441	441
Depreciation		
At 1 January	–	–
Charge for the financial year	127	127
At 31 December	127	127
Carrying amount	314	314

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

	Group 2019 RM'000	Bank 2019 RM'000
At 1 January	409	353
Addition during the year	88	88
Accretion of interest	24	21
Payments	(167)	(153)
At 31 December	354	309
Current	144	142
Non-current	210	167
	354	309

The maturity analysis of lease liabilities are disclosed in Note 47 c(i).

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16. LEASES (cont'd)

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

	Group 2019 RM'000	Bank 2019 RM'000
Depreciation expense of right-of-use assets	140	127
Interest expense on lease liabilities	24	21
Expense relating to leases of low-value assets (included in overhead expenses)	418	418
Total amount recognised in profit or loss	582	566

17. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	111,180	71,590	108,947	70,493
Recognised in statement of profit or loss	(32,167)	31,357	(33,653)	30,709
Recognised in equity	(38,875)	8,233	(38,355)	7,745
At 31 December	40,138	111,180	36,939	108,947
Presented after appropriate offsetting as follows:				
Deferred tax assets	40,521	111,425	36,939	108,947
Deferred tax liabilities	(383)	(245)	–	–
	40,138	111,180	36,939	108,947

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets

Group	Loan/ financing loss and allowances RM'000	Provisions and other temporary differences RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2019	97,405	14,003	2,373	113,781
Recognised in statement of profit or loss	(31,927)	(8,155)	1,017	(39,065)
At 31 December 2019	65,478	5,848	3,390	74,716
At 1 January 2018	73,201	12,408	–	85,609
Recognised in statement of profit or loss	24,204	1,595	2,373	28,172
At 31 December 2018	97,405	14,003	2,373	113,781

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17. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

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

Deferred tax liabilities

Group	Unrealised FVOCI reserve RM'000	Loan/ financing loss and allowances RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2019	(1,710)	(658)	(233)	(2,601)
Recognised in statement of profit or loss	6,862	391	(355)	6,898
Recognised in equity	(38,875)	–	–	(38,875)
At 31 December 2019	(33,723)	(267)	(588)	(34,578)
At 1 January 2018	(9,943)	–	(4,076)	(14,019)
Recognised in statement of profit or loss	–	(658)	3,843	3,185
Recognised in equity	8,233	–	–	8,233
At 31 December 2018	(1,710)	(658)	(233)	(2,601)

Deferred tax assets

Bank	Loan/ financing loss and allowances RM'000	Provisions and other temporary differences RM'000	Total RM'000
At 1 January 2019	97,405	13,634	111,039
Recognised in statement of profit or loss	(32,067)	(8,093)	(40,160)
At 31 December 2019	65,338	5,541	70,879
At 1 January 2018	70,060	12,080	82,140
Recognised in statement of profit or loss	27,345	1,554	28,899
At 31 December 2018	97,405	13,634	111,039

Deferred tax liabilities

Bank	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2019	(2,049)	(43)	(2,092)
Recognised in statement of profit or loss	6,862	(355)	6,507
Recognised in equity	(38,355)	–	(38,355)
At 31 December 2019	(33,542)	(398)	(33,940)
At 1 January 2018	(9,794)	(1,853)	(11,647)
Recognised in statement of profit or loss	–	1,810	1,810
Recognised in equity	7,745	–	7,745
At 31 December 2018	(2,049)	(43)	(2,092)

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18. DEPOSITS FROM CUSTOMERS

	Group and Bank 2019 RM'000	2018 RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	5,492,175	6,412,169
(a) The deposits are sourced from the following types of deposit:		
Tawarruq	4,852,186	5,359,624
Others	639,989	1,052,545
	5,492,175	6,412,169
(b) The deposits are sourced from the following types of customers:		
Business enterprises	880,874	549,255
Government and statutory bodies	4,611,301	5,862,914
	5,492,175	6,412,169
(c) The deposits maturity structure are as follows:		
Less than six months	4,893,965	5,282,198
Six months to one year	254,946	786,706
One year to three years	–	–
Three years to five years	272,454	161,300
Over five years	70,810	181,965
	5,492,175	6,412,169

19. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group and Bank 2019 RM'000	2018 RM'000
At amortised cost		
Licensed banks	1,032,669	100,354
(a) The deposits maturity structure are as follows:		
Less than six months	1,032,669	100,354

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20. OTHER LIABILITIES

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Provision for taxation	72	17,136	–	16,995
Zakat payables	24,520	15,766	21,350	14,980
Bank guarantee received in advance	21,327	15,805	21,327	15,805
Trade creditors	514	48	–	–
Security deposits	17,094	16,951	–	–
Sundry creditors and accruals	58,922	54,548	37,216	30,733
	122,449	120,254	79,893	78,513

21. REDEEMABLE NOTES/SUKUK

	Note	Group and Bank 2019 RM'000	2018 RM'000
Redeemable non-guaranteed notes/sukuk			
Medium term notes	(i)	404,695	404,695
Sukuk Murabahah	(ii)	3,034,278	3,034,656
		3,438,973	3,439,351
Redeemable guaranteed notes/sukuk			
Medium term notes	(iii)	510,718	510,652
Sukuk Murabahah	(iv)	3,041,969	3,042,202
		3,552,687	3,552,854
Infrastructure notes – nominal value	(v)	303,883	354,531
Less: Unaccreted discount		(2,371)	(2,778)
		301,512	351,753
		7,293,172	7,343,958

(i) This note carries a coupon rate of 6.30% per annum with a tenure of 15 years. This note will mature in April 2021.

(ii) These sukuk carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2026, 2027, 2031, 2032 and 2035 respectively.

(iii) These notes carry coupon rates ranging between 4.52% to 5.08% per annum and for tenures of 7 to 15 years. These notes will mature in January 2023 and 2031.

(iv) These sukuk carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These sukuk will mature in September 2021, 2024, 2029 and 2034 respectively.

(v) This note has a maturity of 25 years with nominal value of RM300,000,000 (2018: RM350,000,000), which carries a coupon rate of 7.50% (2018: 7.50%) per annum. The note will mature in October 2025.

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21. REDEEMABLE NOTES/SUKUK (cont'd)

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

Group and Bank	Non-Murabahah 2019 RM'000	Non-Murabahah 2018 RM'000	Murabahah 2019 RM'000	Murabahah 2018 RM'000
Redeemable non-guaranteed notes/sukuk				
Principal				
At 1 January/31 December	400,000	400,000	3,000,000	3,000,000
Accrued interest/profit payable				
At 1 January	4,695	4,695	34,656	34,269
Charge for the financial year	25,200	25,200	139,787	140,552
Repayment/payment during the financial year	(25,200)	(25,200)	(140,165)	(140,165)
At 31 December	4,695	4,695	34,278	34,656
	404,695	404,695	3,034,278	3,034,656
Redeemable guaranteed notes/sukuk				
Principal				
At 1 January/31 December	500,000	500,000	3,000,000	3,000,000
Accrued interest/profit payable				
At 1 January	10,652	10,586	42,202	41,671
Charge for the financial year	24,000	24,000	137,397	138,160
Repayment/payment during the financial year	(23,934)	(23,934)	(137,630)	(137,629)
At 31 December	10,718	10,652	41,969	42,202
	510,718	510,652	3,041,969	3,042,202

	2019 RM'000	2018 RM'000
Infrastructure notes		
Principal		
At 1 January	350,000	400,000
Repayment during the financial year	(50,000)	(50,000)
At 31 December	300,000	350,000
Unaccreted discount		
At 1 January	(2,778)	(3,184)
Accreted discount during the financial year	407	406
At 31 December	(2,371)	(2,778)
Accrued interest payable		
At 1 January	4,531	5,178
Charge for the financial year	25,602	29,353
Repayment during the financial year	(26,250)	(30,000)
At 31 December	3,883	4,531
	301,512	351,753

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22. BORROWINGS

Group and Bank	Note	31 December 2019 Due after twelve months RM'000	31 December 2019 Due within twelve months RM'000	31 December 2018 Due after twelve months RM'000	31 December 2018 Due within twelve months RM'000
Loans from Employees Provident Fund ("EPF")					
Unsecured:	22(a)				
Principal		1,700,000	400,000	2,100,000	400,000
Interest		–	24,490	–	28,148
		1,700,000	424,490	2,100,000	428,148
Other loans					
Unsecured:	22(b)				
Principal		–	50,000	50,000	100,000
Interest		–	1,238	–	3,726
		–	51,238	50,000	103,726
		1,700,000	475,728	2,150,000	531,874
Total borrowings			2,175,728		2,681,874

The movements in borrowings are as follows:

Group and Bank	Loans from EPF 2019 RM'000	Loans from EPF 2018 RM'000	Other loans 2019 RM'000	Other loans 2018 RM'000
Unsecured:				
Principal				
At 1 January	2,500,000	2,500,000	150,000	250,000
Repayment during the financial year	(400,000)	–	(100,000)	(100,000)
At 31 December	2,100,000	2,500,000	50,000	150,000
Accrued interest payable				
At 1 January	28,148	27,829	3,726	6,197
Charge for the financial year	103,511	116,434	4,869	10,753
Repayment during the financial year	(107,169)	(116,115)	(7,357)	(13,224)
At 31 December	24,490	28,148	1,238	3,726
Total borrowings	2,124,490	2,528,148	51,238	153,726

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22. BORROWINGS (cont'd)

(a) Loan from EPF

	Note	Group and Bank Principal 2019 RM'000	2018 RM'000
Loan 1	22(a)(i)	1,600,000	2,000,000
Loan 2	22(a)(ii)	500,000	500,000
		2,100,000	2,500,000

(i) The loan is repayable in 5 equal instalments over a period of 5 years, commencing 2019.

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

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 4.52% to 5.23% (2018: 4.52% to 5.23%) per annum.

(b) Other Loans – unsecured:

	Group and Bank Principal 2019 RM'000	2018 RM'000
Loan from:		
Pension Trust Fund Council ("PTFC")	50,000	150,000
	50,000	150,000

Other loan – unsecured is the loan from PTFC amounting to RM50,000,000 (2018: RM150,000,000) and repayable in 10 instalments over a period of 6 years, commencing from 2015. This loan will mature in 2020 and bear interest at rate of 5.88% (2018: 5.88%) per annum during the financial year.

23. INFRASTRUCTURE SUPPORT FUND ("ISF")

	Note	Group and Bank 2019 RM'000	2018 RM'000
ISF – Novated loans			
At 1 January/31 December	(i)	303,974	303,974
Infrastructure Support Fund	(ii)		
At 1 January		192	192
Refund of government compensation (Note 31)		134,963	–
At 31 December		135,155	192
		439,129	304,166

(i) The amount relates to financial assistance given by the Government of Malaysia upon novation of loans and the related borrowing to finance the loans to the Bank. The Fund will be utilised to cover any future losses, costs and expenses incurred by the Bank upon the final settlement of the loans.

(ii) The amount relates to funds received from the Government to cover losses arising from loan/financing default, any allowance for impaiment losses, write-off and other liquidity requirements that may arise from loans given for government infrastructure projects.

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24. DEFERRED INCOME

	Group and Bank 2019 RM'000	2018 RM'000
At 1 January	219,962	227,030
Received from Government during the financial year	7,056	7,705
Utilised during the financial year	(14,763)	(14,773)
At 31 December	212,255	219,962

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

25. SHARE CAPITAL

	Number of shares		Amount	
Group and Bank	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
Ordinary shares of RM1.00 each	3,078,724	3,078,724	3,078,724	3,078,724

26. RESERVES

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable:					
Capital reserve	26(i)	1,000	1,000	–	–
Statutory reserve	26(ii)	2,073,366	1,994,631	2,073,366	1,994,631
Unrealised FVOCI reserve	26(iii)	160,311	5,401	159,749	6,486
Exchange translation reserve	26(iv)	(6,997)	(47,944)	–	–
		2,227,680	1,953,088	2,233,115	2,001,117
Distributable:					
Retained profits	27	2,576,058	2,503,023	2,374,207	2,238,002
		4,803,738	4,456,111	4,607,322	4,239,119

(i) The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous financial years.

(ii) The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.

26. RESERVES (cont'd)

(iii) Unrealised FVOCI reserve represents the cumulative fair value changes and changes in allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired.

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	5,401	30,677	6,486	30,217
Unrealised gain/(loss) on fair value changes	137,827	(33,515)	135,660	(31,482)
Changes in allowance for expected credit losses	55,958	6	55,958	6
Transfer to deferred tax	(38,875)	8,233	(38,355)	7,745
At 31 December	160,311	5,401	159,749	6,486

(iv) The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

27. RETAINED PROFITS

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

28. INTEREST INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans and advances	472,451	581,344	460,672	563,468
Compensation from the Government	111,470	117,281	111,470	117,281
Money at call and deposit placements with financial institutions	64,862	34,450	55,554	27,162
Financial investments at FVOCI	77,560	26,009	77,560	26,009
	726,343	759,084	705,256	733,920
Accretion of discount less amortisation of premium	(4,943)	(466)	(4,943)	(466)
	721,400	758,618	700,313	733,454
Of which:				
Interest income earned on impaired loans and advances	29,931	61,166	29,931	61,135

29. INTEREST EXPENSE

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits from customers	48,788	55,649	48,788	55,649
Deposits and placements from financial institutions	6,139	973	6,139	973
Borrowings	108,380	127,187	108,380	127,187
Redeemable notes	75,209	78,959	75,209	78,959
Lease	24	–	21	–
	238,540	262,768	238,537	262,768

30. NON-INTEREST INCOME

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Investment income:				
Net gain/(loss) arising on financial investment at FVTPL:				
– gross dividend income	25	7,348	25	7,348
– unrealised revaluation loss	–	(1,712)	–	(1,712)
Net gain arising on financial investment at FVOCI:				
– net gain on disposal	24,138	1,791	24,138	1,791
Gross dividend income from subsidiaries	–	–	36,040	–
	24,163	7,427	60,203	7,427
(b) Other income:				
Fee income	3,598	6,601	1,037	3,472
Rental income:				
– Subsidiaries	–	–	321	511
– Others	1,597	2,100	1,597	2,090
Gain on disposal of property, plant and equipment	–	216	–	167
Gain on disposal of asset held for sale	–	161	–	–
(Loss)/gain on loan modification	(2,810)	9,715	(2,810)	9,715
Gain on foreign exchange realised	–	133	–	–
Others	580	227	27	38
	2,965	19,153	172	15,993
Total non-interest income	27,128	26,580	60,375	23,420

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31. REFUND OF GOVERNMENT COMPENSATION

During the year, a loan provided to a borrower funded by the ISF was fully settled by the borrower. As a result of the full settlement, an amount of RM134,963,235 relating to the ISF recognised as income in prior years to compensate for impairment allowance made on the borrower was refunded to the ISF and recognised as an expense in the current year.

32. OVERHEAD EXPENSES

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs	(i)	73,615	72,374	68,082	66,117
Establishment related expenses	(ii)	14,119	13,921	13,306	12,308
Promotion and marketing expenses	(iii)	3,813	2,132	3,813	2,132
General administrative expenses	(iv)	21,986	18,924	19,943	21,292
		113,533	107,351	105,144	101,849
Overhead expenses charged to subsidiaries via SLA		–	–	(617)	(828)
		113,533	107,351	104,527	101,021
(i) Personnel costs					
Salaries, allowances and bonuses		58,427	57,637	54,052	53,041
Non-executive Directors' fees and remuneration		1,303	2,277	1,195	1,853
Social security cost		396	379	349	331
Pension costs – Defined contribution plan		7,628	6,933	6,933	6,224
Other staff related expenses		5,861	5,148	5,553	4,668
		73,615	72,374	68,082	66,117

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32. OVERHEAD EXPENSES (cont'd)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	3,841	4,015	3,767	3,940
Investment properties	10	10	8	7
Right-of-use assets	140	–	127	–
Amortisation of intangible assets	2,447	2,640	2,273	2,467
Repairs and maintenance of property, plant and equipment	1,523	1,805	1,500	1,772
Information technology expenses	6,158	5,451	5,631	4,122
	14,119	13,921	13,306	12,308
(iii) Promotion and marketing expenses				
Advertisement and publicity	3,813	2,132	3,813	2,132
(iv) General administrative expenses				
General administrative expenses	20,881	17,741	19,266	20,597
Auditors' remuneration:				
– Statutory audit				
– Current year	792	824	494	494
– Under provision in respect of prior year	–	46	–	18
– Non-audit services				
– regulatory related services	313	313	183	183
	21,986	18,924	19,943	21,292

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33. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows:

	Remuneration received from the Bank							Remuneration received from Subsidiary Companies			
2019	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Group total RM'000
President/ Group Chief Executive Officer											
Arshad bin Mohamed Ismail	373	–	–	56	–	–	429	–	–	–	429
	373	–	–	56	–	–	429	–	–	–	429
Non-Executive Directors:											
Datuk Zaiton binti Mohd Hassan	–	175	–	–	109	6	290	–	–	–	290
Dato' Othman bin Semail	–	50	–	–	86	–	136	–	–	–	136
Dr. Mohamed Ashraf bin Mohamed Iqbal	–	48	–	–	136	–	184	–	26	–	210
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	–	34	–	–	63	–	97	–	2	–	99
Ariff bin Rozhan	–	32	–	–	29	–	61	–	–	–	61
Datuk Wan Azhar bin Wan Ahmad	–	9	–	–	18	–	27	47	14	–	88
Suffian bin Baharuddin	–	7	–	–	20	–	27	–	–	–	27
Musa bin Abdul Malek	–	7	–	–	20	–	27	–	–	–	27
Datuk Seri Hashmudin bin Mohammad	–	4	–	–	6	–	10	–	–	–	10
Tan Lye Sim	–	54	–	–	128	–	182	–	–	–	182
Tan Sri Dr. Rahamat Bivi binti Yusoff	–	54	–	–	100	–	154	10	9	–	173
	–	474	–	–	715	6	1,195	57	51	–	1,303
Total	373	474	–	56	715	6	1,624	57	51	–	1,732

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33. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION (cont'd)

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows: (cont'd)

	Remuneration received from the Bank							Remuneration received from Subsidiary Companies			
2018	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Group total RM'000
President/ Group Chief Executive Officer											
Shaharuddin bin Zainuddin	560	–	–	100	336	–	996	–	–	–	996
	560	–	–	100	336	–	996	–	–	–	996
Non-Executive Directors:											
Tan Sri Dato' Sri Dr. Wan Abdul Aziz bin Wan Abdullah	–	242	–	–	200	–	442	–	–	–	442
Datuk Wan Azhar bin Wan Ahmad	–	60	–	–	256	–	316	300	118	–	734
Datuk Jamaludin bin Nasir	–	10	–	–	31	–	41	–	–	–	41
Suffian bin Baharuddin	–	60	–	–	282	–	342	–	6	–	348
Musa bin Abdul Malek	–	60	–	–	289	–	349	–	–	–	349
Datuk Seri Hashmudin bin Mohammad	–	60	–	–	195	–	255	–	–	–	255
Tan Lye Sim	–	18	–	–	44	–	62	–	–	–	62
Tan Sri Dr. Rahamat Bivi binti Yusoff	–	15	–	–	31	–	46	–	–	–	46
	–	525	–	–	1,328	–	1,853	300	124	–	2,277
Total	560	525	–	100	1,664	–	2,849	300	124	–	3,273

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34. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are defined as President/Group Chief Executive Officer and Directors of the Bank, executive and non-executive having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly. The remuneration and compensation of the President/Group Chief Executive Officer and Directors of the Bank during the financial year are as follows:

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short term employee benefits' (excluding benefits-in-kind)	33	1,732	3,273	1,624	2,849
Included in the above are:					
President/Group Chief Executive Officer and Executive Director's remuneration (excluding benefits-in-kind)	33	429	996	429	996

35. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS, FINANCING AND ADVANCES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Stage 1 – 12-month ECL, net	118,733	156,025	116,081	156,160
Stage 2 – Lifetime ECL not credit impaired, net	(152,567)	(122,342)	(151,789)	(122,236)
Stage 3 – Lifetime ECL credit impaired, net	132,924	421,619	133,789	439,656
Impaired loans/financing:				
Written off	15,610	998	13,938	490
Recovered	(18,926)	(33,076)	(13,587)	(32,952)
	95,774	423,224	98,432	441,118

36. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial investments at FVOCI	55,958	6	55,958	6
Investments in subsidiaries	–	–	1,215	27,663
Investment in JVs	173	16,757	–	–
Investment properties	–	30	–	–
Tenant – written back	(9)	(5)	(9)	(5)
Allowance for ex-staff loan/financing:				
Made during the financial year	–	52	–	52
Written back	(17)	(270)	(17)	(270)
	56,105	16,570	57,147	27,446

37. TAXATION

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax expense:				
Current income tax	140,011	108,927	133,210	97,644
Over provision in prior years	(68,345)	(1,680)	(68,196)	(56)
	71,666	107,247	65,014	97,588
Deferred tax expense:				
Reversal of temporary differences	(36,834)	(28,431)	(35,360)	(28,430)
Under/(over) provision in prior years	69,001	(2,926)	69,013	(2,279)
	32,167	(31,357)	33,653	(30,709)
	103,833	75,890	98,667	66,879

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation and zakat	379,720	260,688	434,733	218,139
Tax using Malaysian tax rate of 24% (2018: 24%)	91,133	62,565	104,336	52,353
Income not subject to tax	(7,473)	(5,512)	(7,324)	(5,680)
Non-deductible expenses	19,517	21,740	838	22,541
Deferred tax assets not recognised during the year	–	1,703	–	–
Under/(over) provision of deferred tax in prior years	69,001	(2,926)	69,013	(2,279)
Over provision of income tax in prior years	(68,345)	(1,680)	(68,196)	(56)
Taxation	103,833	75,890	98,667	66,879

38. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2019		2018	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2018 ordinary, net of tax	3.25	100,000	–	–
Final 2017 ordinary, net of tax	–	–	3.25	100,000
	3.25	100,000	3.25	100,000

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2019, on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM152,213,638.40 (4.94 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2020.

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39. EARNINGS PER SHARE ("EPS")

The basic/diluted EPS of the Group are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2019	2018
Profit attributable to equity holders of the Bank (RM'000)		
– operations	251,770	171,213
Number of ordinary shares in issue ('000)	3,078,724	3,078,724
Basic/diluted EPS (sen) for:		
– operations	8.18	5.56

40. COMMITMENTS AND CONTINGENCIES

(a) Loan and financing related commitments and contingencies of the Group and the Bank which are not included in these financial statements are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Disbursement of loans/financing to industries	5,230,637	4,510,166	5,011,830	4,299,250
Secured guarantees on behalf of borrowers/ customers given to third parties	2,301,585	1,747,347	2,301,585	1,747,347
	7,532,222	6,257,513	7,313,415	6,046,597

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure:				
Approved but not contracted for	–	2,560	–	2,560

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41. CAPITAL ADEQUACY

Capital management

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.

Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis. In line with this objective, Bank Negara Malaysia has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

In order to further strengthen the capital position of the Bank through a progressive and systematic building up of the reserve fund, the minimum RWCR under both normal and stress scenarios shall not be less than 20% and 12% respectively.

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

	Bank	
	2019 RM'000	2018 RM'000
Tier 1 capital		
Paid-up share capital	3,078,724	3,078,724
Other reserves	4,607,322	4,239,119
Less: Deferred tax asset	(36,939)	(108,947)
Total Tier 1 capital	7,649,107	7,208,896
Tier 2 capital		
Government support funds	651,384	524,128
Stage 1 and Stage 2 expected credit loss allowances	1,135,077	1,170,785
Total Tier 2 capital	1,786,461	1,694,913
Total capital	9,435,568	8,903,809
Less: Investment in subsidiaries	(255,426)	(256,641)
Total capital base	9,180,142	8,647,168

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

	Bank	
	2019 RM'000	2018 RM'000
20%	661,234	416,264
50%	1,339,339	942,296
100%	21,641,645	21,734,060
	23,642,218	23,092,620

41. CAPITAL ADEQUACY (cont'd)

Capital management (cont'd)

Regulatory capital (cont'd)

Without deducting proposed dividend:

	Bank 2019 %	Bank 2018 %
Core capital ratio	32.354	31.217
RWCR	38.829	37.446

After deducting proposed dividend:

	Bank 2019 %	Bank 2018 %
Core capital ratio	31.710	30.784
RWCR	38.186	37.013

Capital monitoring

The Bank's capital is closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Bank sets an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to Management and Board of Directors.

42. SIGNIFICANT EVENTS

During the 2020 Budget Speech on 11 October 2019, the previous Finance Minister announced the proposed merger which involves four Development Financial Institutions ("DFIs") with an objective to strengthen the development finance eco-system. Under the 2-phase restructuring plan, a new financial institution will be formed through the merger of Bank Pembangunan Malaysia Berhad ("BPMB"), Danajamin Nasional Berhad ("Danajamin"), Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank") and Export-Import Bank of Malaysia Berhad ("Exim Bank").

The first phase of the restructuring will involve the merger of BPMB and Danajamin. BPMB and Danajamin have received approval from Bank Negara Malaysia ("BNM") to commence negotiations. The finalisation of the first phase is subject to ongoing negotiation of the transaction price. The second phase of the restructuring involves the merger of Exim Bank and SME Bank with the enlarged BPMB-Danajamin Group.

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43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Government of Malaysia ("GOM") is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (2018: 99.99%). GOM and entities directly controlled by GOM are collectively referred to as government-related entities to the Group and the Bank.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel includes all the Directors of the Bank as disclosed in Note 34.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The Group established credit policies, pricing strategy and approval process for loans/financing, which are independent of whether the counter parties are government-related entities or not. The significant related party transactions and balances of the Group and the Bank are as follows:

43.1 Significant balances and transactions with a significant shareholder

(a) Significant balances with a significant shareholder

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Other assets		
Amount receivable from Government in respect of compensation for:		
Foreign exchange differences	85,361	85,361
Infrastructure projects	109,216	47,749

(b) Significant transactions with a significant shareholder

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
Conventional		
Interest compensation from Government of Malaysia	111,470	117,281
Refund of government compensation	(134,963)	–
Islamic		
Profit compensation from Government of Malaysia	17,894	16,334
Fee income from Unit Kerjasama Awam Swasta ("UKAS")	572	2,867

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43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

43.2 Significant balances and transactions with a significant shareholder's linked companies and bodies

(a) Significant balances with a significant shareholder's linked companies and bodies

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets				
Short term deposits	2,524,345	1,991,892	2,257,815	1,719,494
Deposits and placements with financial institution	924,915	38,055	882,828	–
Financial investments at FVOCI	4,629,258	3,383,345	4,624,313	3,380,567
Financial investments at amortised cost	–	22	–	–
Liabilities				
Deposits from customers	5,492,175	6,411,769	5,492,175	6,411,769
Deposits and placements from financial institutions	702,107	100,354	702,107	100,354
Redeemable notes	7,293,172	7,343,958	7,293,172	7,343,958
Borrowings	2,175,728	2,681,874	2,175,728	2,681,874
ISF	439,129	304,166	439,129	304,166
Deferred income	212,255	219,962	212,255	219,962

(b) Significant transactions with a significant shareholder's linked companies and bodies

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Conventional				
Income				
Money at call and deposit placements with financial institutions	63,047	34,320	53,738	27,032
Financial investments at FVOCI	75,034	26,009	75,034	26,009
Amortisation of premium less accretion of discount	(4,943)	(466)	(4,943)	(466)
Dividend from financial investments at FVTPL	25	7,348	25	7,348
Dividend from subsidiaries	–	–	36,040	–
Rental income	1,597	2,100	1,918	2,601
Expenses				
Interest expense on:				
Deposits from customers and financial institutions	(54,528)	(56,622)	(54,528)	(56,622)
Borrowings	(108,380)	(127,187)	(108,380)	(127,187)
Redeemable notes	(75,209)	(78,959)	(75,209)	(78,959)

Notes to the Financial Statements
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43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

43.2 Significant balances and transactions with a significant shareholder's linked companies and bodies (cont'd)

(b) Significant transactions with a significant shareholder's linked companies and bodies (cont'd)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Islamic				
Income				
Finance income from deposits and placements with financial institutions	41,632	36,243	40,637	35,558
Financial investments at FVOCI	39,607	145,422	39,607	145,422
Accretion of discount less amortisation of premium	16,041	592	16,041	592
Expenses				
Income attributable to the depositors:				
Deposits from customers and financial institutions	(194,857)	(225,351)	(194,857)	(225,351)
Sukuk	(277,184)	(278,712)	(277,184)	(278,712)
Bills and acceptance payable	–	(2,177)	–	(2,177)

43.3 Significant balances and transactions with subsidiaries, associates and JVs

(a) Significant balances with subsidiaries, associates and JVs

	Bank	
	2019 RM'000	2018 RM'000
Conventional		
Loans to subsidiaries	44	37
Payment on behalf of subsidiary	546	553

(b) Significant transactions with subsidiaries, associates and JVs

	Bank	
	2019 RM'000	2018 RM'000
Conventional		
Income		
Rental income from subsidiaries	321	511
Fee income from subsidiaries	617	828
Expenses		
Management fee expense from subsidiaries	(12)	(12)

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43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

43.4 Significant balances and transactions with Group's related parties

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

	Group	
	2019 RM'000	2018 RM'000
Other assets		
Trade receivables due from related parties	9,468	30,814

The credit exposures above are based on paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with related parties as follows:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder of the Bank and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;

(iv) Officers who are responsible for or have authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan/financing commitments.

44. LOANS/FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank			
	2019		2018	
Items	Total Exposure RM'000	Impaired RM'000	Total Exposure RM'000	Impaired RM'000
Credit facility and leasing (except guarantee)	917,463	276,177	959,275	278,151
Equities and PDS held	–	–	375,679	–
Total	**917,463**	**276,177**	**1,334,954**	**278,151**
Total exposure to connected parties as % of total capital	**11%**	**3%**	**16%**	**3%**
Total exposure to connected parties as % of total outstanding financial exposure	**3%**	**1%**	**4%**	**1%**

The above disclosure on loans/financing facilities with connected parties is presented in accordance with para 14.1 as per BNM's policy on loans/financing facilities with connected parties, which became effective on 13 July 2016.

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45. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2019 RM'000	2018 RM'000
At 1 January	–	311
Disposed during the financial year	–	(311)
Transfer from investment properties	254	–
At 31 December	254	–

On 25 November 2019, a subsidiary had entered into Sale and Purchase Agreements ("SPAs") with purchasers for the disposal of:

(i) The subsidiary building in Pahang for a total cash consideration of RM332,000 subject to the terms and conditions as stipulated in the SPAs. The subsidiary has received RM33,200 (10% of earnest deposits) and the balance of RM298,800 is outstanding from the purchaser as at 31 December 2019.

(ii) Land for a total cash consideration of RM138,000 subject to the terms and conditions as stipulated in the SPAs, specifically the transfer of title for the land. The subsidiary has received RM14,000 and pending execution of Memorandum of Transfer ("MOT") as at 31 December 2019.

46. COMPANIES IN THE GROUP

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

	Effective interest held by the Bank		
Subsidiary	2019 %	2018 %	Principal activities
BPMB Urus Harta Sdn Bhd	100.00	100.00	Dormant
Emerald Upline Sdn Bhd	100.00	100.00	Dormant
Global Maritime Ventures Berhad	90.00	90.00	Venture capital investment
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
SME Growth Acceleration Fund Sdn Bhd	100.00	100.00	Venture capital investment

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46. COMPANIES IN THE GROUP (cont'd)

(b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2019 %	2018 %	Principal activities
Mutiara Navigation Sdn Bhd *	–	63.00	Dormant
Nilam Navigation Sdn Bhd #	63.00	63.00	Dormant
Sari Navigation Sdn Bhd #	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding
GMV-Alam Sdn Bhd	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	Investment holding
GMV-Borcos Sdn Bhd #	90.00	90.00	Investment holding
GMV-Gagasan Sdn Bhd #	90.00	90.00	Investment holding
GMV-Global Sdn Bhd #	90.00	90.00	Investment holding
GMV-Efogen Sdn Bhd #	90.00	90.00	Investment holding
GMV-Jasa Sdn Bhd #	90.00	90.00	Investment holding
GMV-Omni Sdn Bhd #	90.00	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	Dormant
GMV-Orkim Sdn Bhd *	–	90.00	Investment holding
GMV-Offshore Sdn Bhd	90.00	90.00	Investment holding

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46. COMPANIES IN THE GROUP (cont'd)

(c) Details of subsidiary companies of Glory Incentive Sdn Bhd ("GISB"), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2019 %	2018 %	Principal activities
Permata Navigation Sdn Bhd *	–	63.00	Dormant
Gemala Navigation Sdn Bhd *	–	63.00	Dormant
Ratna Navigation Sdn Bhd *	–	63.00	Dormant
Kencana Navigation Sdn Bhd *	–	63.00	Dormant
Ayu Navigation Sdn Bhd	63.00	63.00	Dormant

(d) Details of a subsidiary company of GMV-Global Sdn Bhd, which is incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2019 %	2018 %	Principal activities
Bahtera Berlian Sdn Bhd #	90.00	90.00	Ship-management

(e) Details of subsidiary companies of Pembangunan Leasing Corporation Sdn Bhd ("PLC"), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank 2019 %	2018 %	Principal activities
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, factoring, insurance agency and letting of properties
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing

\# Placed under creditors voluntary liquidation during the financial year.
* Represent companies dissolved during the year.

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47. FINANCIAL INSTRUMENTS RISK

Financial risk management objectives and policies

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the enterprise wide risk exposure, which include credit, market, liquidity and operational risk and seek to minimise potential adverse effects on the financial performance of the Group and the Bank. As part of the Group's and the Bank's strategy to integrate the management and control of risks across the various risk segments, a dedicated function known as the Group Risk Management had been established.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence to Group financial risk management policies, which are reported to and approved by the Board of Directors. The Board also approves the treasury policies, which cover the management of these risks.

The main areas of financial risks faced by the Group are set out as follows:

(a) Credit risk

Credit risk is the potential loss of revenue, either principal or interest/profit or both, arising from customers or counterparties' failure or unwillingness to honour their financial and contractual obligations when they are due. These obligations are from lending/financing, placement and other activities undertaken by the Bank.

Credit risk management activities conducted by the Bank are within Credit Risk Management Framework approved by the Board of Directors. This includes risk identification, assessment, measurement and monitoring.

Credit risk is principally managed through the establishment of lending/financing directions, risk appetite and policies and guidelines to enhance loan/financing asset quality. Credit processes are structured to ensure adherence to credit policies and to establish impartiality in loan/financing origination, approval, documentation, disbursement and settlement.

All credit proposals are rated using an internal two dimensional credit rating system to measure each borrower's/customer's risk of default and facility risk. Only viable financing proposals with well-mitigated risk are considered for financing.

Credit reviews on existing customers are performed at least once a year and more frequent on watch-list accounts to proactively manage any delinquencies, maximise recoveries and to ensure timely recognition of asset impairment.

Prudential limits are established according to various categories such as customer and industry sector to minimise concentration risk. Single Customer Limit ("SCL") captures Group exposure to manage the Bank's and subsidiaries' concentration risk to common group of customers at group level.

Sector limit for commercial lending/financing is being observed to monitor undesirable concentration which could expose the Bank to higher risk of lending/financing. Meanwhile, counterparty limits are in place to control over exposure to a single financial institution.

Collateral is taken whenever possible to mitigate credit risk. The value of collateral is monitored periodically through updated valuation. Policies and processes are in place to monitor collateral value.

The overall credit risk management is subject to an ongoing process for reviewing and enhancement from time to time so as to be in line with regulatory requirements. Audit is periodically performed by the Group Internal Audit to ensure that credit policies and procedures are complied with.

Credit risk oversight is provided by Credit Committee of the Board (CCB) and Board of Directors (BOD) for connected parties transactions.

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47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(i) Credit exposure

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
On balance sheet:					
Cash and short term deposits	4(a)	2,648,922	2,311,748	2,371,020	2,020,160
Deposits and placements with financial institutions	4(b)	924,915	38,055	882,828	–
Financial investments at FVOCI – debt	6	4,917,850	3,614,164	4,917,850	3,614,164
Financial investments at amortised cost	7	–	22	–	–
Loans, financing and advances	8	15,701,772	18,284,672	15,545,685	18,127,583
Other assets	9	213,535	166,024	200,976	139,938
		24,406,994	24,414,685	23,918,359	23,901,845
Other assets not subject to credit risk		256,110	319,424	493,017	556,994
		24,663,104	24,734,109	24,411,376	24,458,839
Off balance sheet:					
Commitments and Contingencies	40(a)	7,532,222	6,257,513	7,313,415	6,046,597
		32,195,326	30,991,622	31,724,791	30,505,436

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47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

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

Group 2019	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	–	–	–	10	–	10	–
Construction	–	476,606	–	8,095,058	–	8,571,664	4,446,183
Education	–	–	–	1,714,907	–	1,714,907	500,396
Electrical, gas and water supply	–	377,457	–	75,939	–	453,396	73,690
Finance, insurance/ takaful and business	3,573,837	3,329,650	–	89,089	–	6,992,576	2,038
Hotel and restaurants	–	–	–	758,757	–	758,757	772,465
Housing	–	–	–	5,004	–	5,004	–
Manufacturing	–	21,188	–	257,821	–	279,009	119,794
Marine related	–	–	–	159,919	–	159,919	219,210
Material technology	–	–	–	–	–	–	300,000
Medical and pharmaceuticals	–	–	–	11,709	–	11,709	–
Other community, social and personal service activities	–	–	–	240,091	–	240,091	620,619
Public administration and defence	–	–	–	14,662	–	14,662	–
Real estate, renting and business activities	–	671,319	–	339,073	–	1,010,392	97,000
Shipping	–	41,630	–	693,882	–	735,512	332,642
Shipyard	–	–	–	104,953	–	104,953	–
Transport, storage and communications	–	–	–	3,140,898	–	3,140,898	38,740
Others	–	–	–	–	213,535	213,535	9,445
	3,573,837	4,917,850	–	15,701,772	213,535	24,406,994	7,532,222
Other assets not subject to credit risk	–	–	–	–	256,110	256,110	–
	3,573,837	4,917,850	–	15,701,772	469,645	24,663,104	7,532,222

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

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

Group 2018	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture, hunting and forestry	–	–	–	9	–	9	–
Construction	–	508,756	–	8,783,866	–	9,292,622	3,989,511
Education	–	–	–	1,767,528	–	1,767,528	545,893
Electrical, gas and water supply	–	221,978	–	1,902,710	–	2,124,688	44,159
Finance, insurance/ takaful and business	2,349,803	2,525,987	–	61,315	–	4,937,105	85,076
Hotel and restaurants	–	–	–	836,007	–	836,007	580,574
Housing	–	–	–	6,351	–	6,351	–
Manufacturing	–	–	–	269,995	–	269,995	140,748
Marine related	–	–	–	37,250	–	37,250	350,000
Medical and pharmaceuticals	–	–	–	13,869	–	13,869	–
Other community, social and personal service activities	–	–	–	266,919	–	266,919	333,675
Public administration and defence	–	59,842	–	21,398	–	81,240	–
Real estate, renting and business activities	–	297,601	–	383,456	–	681,057	–
Shipping	–	–	–	391,288	–	391,288	2,306
Shipyard	–	–	–	153,782	–	153,782	–
Transport, storage and communications	–	–	–	3,369,004	–	3,369,004	185,571
Others	–	–	22	19,925	166,024	185,971	–
	2,349,803	3,614,164	22	18,284,672	166,024	24,414,685	6,257,513
Other assets not subject to credit risk	–	–	–	–	319,424	319,424	–
	2,349,803	3,614,164	22	18,284,672	485,448	24,734,109	6,257,513

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

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

Bank 2019	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	–	476,606	8,095,025	–	8,571,631	4,416,183
Education	–	–	1,714,907	–	1,714,907	500,396
Electrical, gas and water supply	–	377,457	75,939	–	453,396	73,690
Finance, insurance/ takaful and business	3,253,848	3,329,650	–	–	6,583,498	–
Hotel and restaurants	–	–	737,249	–	737,249	640,370
Housing	–	–	5,004	–	5,004	–
Manufacturing	–	21,188	251,153	–	272,341	88,778
Marine related	–	–	159,919	–	159,919	219,210
Material technology	–	–	–	–	–	300,000
Medical and pharmaceuticals	–	–	11,709	–	11,709	–
Other community, social and personal service activities	–	–	229,011	–	229,011	620,619
Public administration and defence	–	–	14,662	–	14,662	–
Real estate, renting and business activities	–	671,319	339,073	–	1,010,392	97,000
Shipping	–	41,630	693,882	–	735,512	332,642
Shipyard	–	–	104,953	–	104,953	–
Transport, storage and communications	–	–	3,113,199	–	3,113,199	24,527
Others	–	–	–	200,976	200,976	–
	3,253,848	4,917,850	15,545,685	200,976	23,918,359	7,313,415
Other assets not subject to credit risk	–	–	–	493,017	493,017	–
	3,253,848	4,917,850	15,545,685	693,993	24,411,376	7,313,415

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

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

Bank 2018	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
Construction	–	508,756	8,783,557	–	9,292,313	3,988,861
Education	–	–	1,767,528	–	1,767,528	545,893
Electrical, gas and water supply	–	221,978	1,902,710	–	2,124,688	44,159
Finance, insurance/ takaful and business	2,020,160	2,525,987	–	–	4,546,147	–
Hotel and restaurants	–	–	820,887	–	820,887	559,525
Housing	–	–	6,351	–	6,351	–
Manufacturing	–	–	258,891	–	258,891	131,868
Marine related	–	–	37,250	–	37,250	350,000
Material technology	–	–	–	–	–	–
Medical and pharmaceuticals	–	–	13,869	–	13,869	–
Other community, social and personal service activities	–	–	266,810	–	266,810	333,675
Public administration and defence	–	59,842	21,398	–	81,240	–
Real estate, renting and business activities	–	297,601	383,456	–	681,057	–
Shipping	–	–	391,288	–	391,288	2,306
Shipyard	–	–	153,782	–	153,782	–
Transport, storage and communications	–	–	3,319,806	–	3,319,806	90,310
Others	–	–	–	139,938	139,938	–
	2,020,160	3,614,164	18,127,583	139,938	23,901,845	6,046,597
Other assets not subject to credit risk	–	–	–	556,994	556,994	–
	2,020,160	3,614,164	18,127,583	696,932	24,458,839	6,046,597

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(iii) Gross loans, financing and advances are rated based on internal rating by the Bank:

	2019				2018			
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Group								
Upper-medium grade	957,412	1,347	–	958,759	2,502,101	2,337	–	2,504,438
Medium grade	4,149,706	10,476	–	4,160,182	4,368,858	6,600	–	4,375,458
Speculative	7,259,001	30,135	–	7,289,136	9,764,665	32,645	–	9,797,310
Considered speculative	3,408,134	43,761	–	3,451,895	1,710,920	22,816	–	1,733,736
Poor standing	162,013	–	–	162,013	96,657	–	–	96,657
Impaired	–	–	2,216,796	2,216,796	–	–	2,276,895	2,276,895
	15,936,266	85,719	2,216,796	18,238,781	18,443,201	64,398	2,276,895	20,784,494
Bank								
Upper-medium grade	934,377	–	–	934,377	2,481,162	–	–	2,481,162
Medium grade	4,114,336	–	–	4,114,336	4,327,095	–	–	4,327,095
Speculative	7,201,992	–	–	7,201,992	9,715,740	1,219	–	9,716,959
Considered speculative	3,408,134	38,573	–	3,446,707	1,702,832	22,653	–	1,725,485
Poor standing	162,013	–	–	162,013	96,657	–	–	96,657
Impaired	–	–	2,200,280	2,200,280	–	–	2,246,791	2,246,791
	15,820,852	38,573	2,200,280	18,059,705	18,323,486	23,872	2,246,791	20,594,149

Notes to the Financial Statements
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47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(iv) Aging analysis of impaired and past due but not impaired loans, financing and advances

Analysis of loans, financing and advances that are impaired and past due but not impaired based on the Group's and the Bank's internal credit rating system are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impaired:				
0 month overdue	92,339	253,834	92,339	253,834
1 month overdue	–	46,466	–	46,374
2 months overdue	–	10,723	–	10,723
3 months overdue	32,156	294,597	32,156	294,541
> 3 months overdue	2,092,301	1,671,275	2,075,785	1,641,319
	2,216,796	2,276,895	2,200,280	2,246,791
Past due but not impaired:				
1 Month Overdue	37,745	52,950	–	23,872
2 Months Overdue	41,609	7,550	38,573	–
3 Months Overdue	6,365	3,898	–	–
	85,719	64,398	38,573	23,872

(v) Collateral and credit enhancement for loans, financing and advances

Collateral represents the asset pledged by a borrower/customer and/or a third party on behalf of the borrower/customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Bank, and subject to seizure in the event of default. Collateral provides to the Bank with a secondary repayment/payment source, i.e. a source of fund to help recover its investment if the borrower/customer is unable to repay/pay the facility obtained from the Bank.

The Group and the Bank would consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral amounts and types held by the Group and the Bank are as in the next page:

Notes to the Financial Statements
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47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

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

Collateral by amount

	2019				2018			
	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000
Group								
Past due but not impaired	38,573	47,146	85,719	280,000	20,267	44,131	64,398	51,948
Impaired	1,493,694	723,102	2,216,796	3,501,640	1,518,295	758,600	2,276,895	3,632,289
	1,532,267	770,248	2,302,515	3,781,640	1,538,562	802,731	2,341,293	3,684,237
Bank								
Past due but not impaired	38,573	–	38,573	280,000	20,267	3,605	23,872	51,948
Impaired	1,493,694	706,586	2,200,280	3,501,640	1,518,295	728,496	2,246,791	3,632,289
	1,532,267	706,586	2,238,853	3,781,640	1,538,562	732,101	2,270,663	3,684,237

Collateral by type

	2019				2018			
	Guarantee by CGC RM'000	Properties and equipment RM'000	Vessels RM'000	Total RM'000	Guarantee by CGC RM'000	Properties and equipment RM'000	Vessels RM'000	Total RM'000
Group								
Past due but not impaired	–	280,000	–	280,000	5,166	46,782	–	51,948
Impaired	5,166	2,807,255	689,219	3,501,640	3,079	2,658,628	970,582	3,632,289
	5,166	3,087,255	689,219	3,781,640	8,245	8,245	970,582	3,684,237
Bank								
Past due but not impaired	–	280,000	–	280,000	5,166	46,782	–	51,948
Impaired	5,166	2,807,255	689,219	3,501,640	3,079	2,658,628	970,582	3,632,289
	5,166	3,087,255	689,219	3,781,640	8,245	2,705,410	970,582	3,684,237

Notes to the Financial Statements
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47. FINANCIAL INSTRUMENTS RISK (cont'd)

(a) Credit risk (cont'd)

(vi) Restructured loans/financing

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired where there are fundamental revision in the principal terms and conditions of the facilities. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans/financing held by the Group and the Bank stood at RM8,523.5 million (2018: RM9,251.7 million).

(vii) Credit quality for treasury credit risk exposures

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial investments at FVOCI				
Sovereign	3,188,895	2,831,928	3,188,895	2,831,928
AAA	846,388	397,315	846,388	397,315
AA	329,210	51,779	329,210	51,779
BBB	98,527	81,034	98,527	81,034
Non-rated	454,830	252,108	454,830	252,108
	4,917,850	3,614,164	4,917,850	3,614,164
Financial investments at amortised cost				
Sovereign	–	22	–	–
	–	22	–	–

(b) Market risk

(i) Interest/profit rate risk

Interest/profit rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest/profit rates.

Interest/profit rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest/profit rate risk management process which is conducted in accordance with the Group's policies as approved by the Board.

The Group and the Bank may be exposed to a loss in earnings due to the interest/profit rates structure of the financial position arising from interest/profit rates and yield curve changes. The sensitivity to interest/profit rates arises from the mismatches in the repricing rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group and the Bank manage their interest/profit rate risk exposure through the use of fixed/floating rate debts/financing and financial instruments.

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

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

The table below shows the Group's and the Bank's net interest/finance income sensitivity based on possible parallel shift in interest/profit rate.

	Group and Bank			
	Impact on interest/ profit 2019 RM'000	Impact on interest/ profit 2018 RM'000	Impact on equity 2019 RM'000	Impact on equity 2018 RM'000
Interest/profit rate				
– parallel shift				
+ 50 basis points	17,267	21,380	(184,399)	(105,081)
– 50 basis points	(17,267)	(21,380)	184,399	105,081

The table below summarises the Group's and the Bank's exposure to interest/profit rate risk. The table indicates effective average interest/profit rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2019	Non-trading book: Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Assets								
Cash and short term deposits	2,634,616	–	–	–	–	14,306	2,648,922	3.23
Deposits and placements with financial institutions	–	924,915	–	–	–	–	924,915	–
Financial investments at FVOCI	51,269	–	–	1,051,313	3,815,267	106,116	5,023,965	4.33
Financial investments at amortised cost	–	–	–	–	–	–	–	–
Loans, financing and advances								
– non-impaired	161,095	201,778	696,590	3,729,658	11,220,423	12,441	16,021,985	6.41
– impaired *	–	–	–	–	–	(320,213)	(320,213)	–
Other assets	–	–	–	–	–	213,535	213,535	–
Total assets	2,846,980	1,126,693	696,590	4,780,971	15,035,690	26,185	24,513,109	

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

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47. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

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

Group 2019 (cont'd)	Non-trading book: Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Equity and liabilities								
Deposits from customers	1,163,140	1,838,281	2,079,982	321,179	89,593	–	5,492,175	3.79
Deposits and placements from financial institutions	882,669	150,000	–	–	–	–	1,032,669	3.25
Other liabilities	–	–	–	–	–	122,449	122,449	–
Redeemable notes/Sukuk	93,172	–	–	2,350,000	4,850,000	–	7,293,172	4.85
Borrowings	75,728	–	400,000	1,250,000	450,000	–	2,175,728	4.72
Infrastructure support fund	–	–	–	–	–	439,129	439,129	–
Deferred income	–	–	–	–	–	212,255	212,255	–
Lease liabilities	–	–	–	–	–	354	354	–
Total liabilities	2,214,709	1,988,281	2,479,982	3,921,179	5,389,593	774,187	16,767,931	
Total interest/profit sensitivity gap	632,271	(861,588)	(1,783,392)	859,792	9,646,097	(748,002)	7,745,178	

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

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

Group 2018	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/profit rate %
	Non-trading book							
Assets								
Cash and short term deposits	2,256,416	–	–	–	–	55,332	2,311,748	3.43
Deposits and placements with financial institutions	–	38,055	–	–	–	–	38,055	3.40
Financial investments at FVOCI	38,790	–	–	818,846	2,756,528	105,788	3,719,952	4.53
Financial investments at amortised cost	–	–	–	–	22	–	22	–
Loans, financing and advances								
– non-impaired	732,774	258,141	2,068,508	4,460,790	10,978,860	8,526	18,507,599	6.57
– impaired *	–	–	–	–	–	(222,927)	(222,927)	–
Other assets	–	–	–	–	–	166,024	166,024	–
Total assets	3,027,980	296,196	2,068,508	5,279,636	13,735,410	112,743	24,520,473	
Equity and liabilities								
Deposits from customers	832,305	2,774,032	2,463,498	160,994	181,340	–	6,412,169	4.06
Deposits and placements from financial institutions	100,354	–	–	–	–	–	100,354	3.80
Other liabilities	–	–	–	–	–	120,254	120,254	–
Redeemable notes/Sukuk	96,736	–	50,000	2,050,000	5,147,222	–	7,343,958	4.94
Borrowings	81,874	–	450,000	1,650,000	500,000	–	2,681,874	4.35
Infrastructure support fund	–	–	–	–	–	304,166	304,166	–
Deferred income	–	–	–	–	–	219,962	219,962	–
Total liabilities	1,111,269	2,774,032	2,963,498	3,860,994	5,828,562	644,382	17,182,737	
Total interest/profit sensitivity gap	1,916,711	(2,477,836)	(894,990)	1,418,642	7,906,848	(531,639)	7,337,736	

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

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

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

Bank 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-interest/profit sensitive RM'000	Total RM'000	Effective interest/profit rate %
	Non-trading book							
Assets								
Cash and short term deposits	2,368,087	–	–	–	–	2,933	2,371,020	3.25
Deposits and placements with financial institutions	–	882,828	–	–	–	–	882,828	–
Financial investments at FVOCI	51,269	–	–	1,051,313	3,815,268	101,170	5,019,020	4.33
Loans, financing and advances								
– non-impaired	161,095	201,778	693,330	3,638,503	11,152,278	12,441	15,859,425	6.39
– impaired *	–	–	–	–	–	(313,740)	(313,740)	–
Other assets	–	–	–	–	–	200,976	200,976	–
Total assets	2,580,451	1,084,606	693,330	4,689,816	14,967,546	3,780	24,019,529	
Equity and liabilities								
Deposits from customers	1,163,140	1,838,281	2,079,982	321,179	89,593	–	5,492,175	3.79
Deposits and placements from financial institutions	882,669	150,000	–	–	–	–	1,032,669	3.25
Other liabilities	–	–	–	–	–	79,893	79,893	
Redeemable notes/Sukuk	93,172	–	–	2,350,000	4,850,000	–	7,293,172	4.85
Borrowings	75,728	–	400,000	1,250,000	450,000	–	2,175,728	4.72
Infrastructure support fund	–	–	–	–	–	439,129	439,129	–
Deferred income	–	–	–	–	–	212,255	212,255	–
Lease liabilities	–	–	–	–	–	309	309	–
Total liabilities	2,214,709	1,988,281	2,479,982	3,921,179	5,389,593	731,586	16,725,330	
Total interest/profit sensitivity gap	365,742	(903,675)	(1,786,652)	768,637	9,577,953	(727,806)	7,294,199	

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

Notes to the Financial Statements
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47. FINANCIAL INSTRUMENTS RISK (cont'd)

(b) Market risk (cont'd)

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

Bank 2018	Non-trading book: Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %
Assets								
Cash and short term deposits	1,984,018	–	–	–	–	36,142	2,020,160	3.41
Financial investments at FVOCI	38,790	–	–	818,846	2,756,528	103,010	3,717,174	4.53
Loans, financing and advances								
– non-impaired	730,543	254,885	2,049,507	4,325,036	10,978,860	8,527	18,347,358	6.49
– impaired *	–	–	–	–	–	(219,775)	(219,775)	–
Other assets	–	–	–	–	–	139,938	139,938	–
Total assets	2,753,351	254,885	2,049,507	5,143,882	13,735,388	67,842	24,004,855	
Equity and liabilities								
Deposits from customers	832,305	2,774,032	2,463,498	160,994	181,340	–	6,412,169	4.06
Deposits and placements from financial institutions	100,354	–	–	–	–	–	100,354	3.80
Other liabilities	–	–	–	–	–	78,513	78,513	–
Redeemable notes/Sukuk	96,736	–	50,000	2,050,000	5,147,222	–	7,343,958	4.94
Borrowings	81,874	–	450,000	1,650,000	500,000	–	2,681,874	4.75
Infrastructure support fund	–	–	–	–	–	304,166	304,166	–
Deferred income	–	–	–	–	–	219,962	219,962	–
Total liabilities	1,111,269	2,774,032	2,963,498	3,860,994	5,828,562	602,641	17,140,996	
Total interest/profit sensitivity gap	1,642,082	(2,519,147)	(913,991)	1,282,888	7,906,826	(534,799)	6,863,859	

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

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments/financing payment over a range of maturities.

The Group and the Bank manage their liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments/payments to fund providers. The Group and the Bank may raise funds locally and globally either through government-to-government arrangements or direct negotiations. Other sources of funding through the capital market are being explored on an on-going basis to ensure a diversity of funding source.

(i) Contractual maturity of total assets and liabilities

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Group and the Bank.

Group 2019	Non-trading book: Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	2,648,922	–	–	–	–	–	2,648,922
Deposits and placements with financial institutions	–	924,915	–	–	–	–	924,915
Financial investments at FVOCI	–	–	–	1,062,104	3,855,745	106,116	5,023,965
Loans, financing and advances							
– non-impaired	774,608	201,778	696,590	3,729,658	10,606,910	12,441	16,021,985
– impaired *	–	–	–	–	–	(320,213)	(320,213)
Other assets	–	–	–	–	–	213,535	213,535
Total assets	3,423,530	1,126,693	696,590	4,791,762	14,462,655	11,879	24,513,109

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

Notes to the Financial Statements
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47. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

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

	Non-trading book						
Group 2019 (cont'd)	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Equity and liabilities							
Deposits from customers	1,250,951	1,832,024	2,065,935	272,454	70,811	–	5,492,175
Deposits and placements from financial institutions	882,399	150,270	–	–	–	–	1,032,669
Other liabilities	–	–	–	–	–	122,449	122,449
Redeemable notes/Sukuk	–	–	–	2,382,418	4,910,754	–	7,293,172
Borrowings	51,239	–	403,950	1,262,944	457,595	–	2,175,728
Infrastructure support fund	–	–	–	–	–	439,129	439,129
Deferred income	–	–	–	–	–	212,255	212,255
Lease liabilities	12	25	107	210	–	–	354
Total liabilities	2,184,601	1,982,319	2,469,992	3,918,026	5,439,160	773,833	16,767,931
Net maturity mismatches	1,238,929	(855,626)	(1,773,402)	873,736	9,023,495	(761,954)	7,745,178

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

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

	Non-trading book						
Group 2018	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	2,311,748	–	–	–	–	–	2,311,748
Deposits and placements with financial institutions	–	38,055	–	–	–	–	38,055
Financial investments at FVOCI	5,934	23,390	9,466	818,846	2,756,529	105,787	3,719,952
Financial investments at amortised cost	–	–	–	–	22	–	22
Loans, financing and advances							
– non-impaired	527,889	321,949	2,108,987	4,569,916	10,970,332	8,526	18,507,599
– impaired *	–	–	–	–	–	(222,927)	(222,927)
Other assets	–	–	–	–	–	166,024	166,024
Total assets	2,845,571	383,394	2,118,453	5,388,762	13,726,883	57,410	24,520,473
Equity and liabilities							
Deposits from customers	778,685	2,799,492	2,490,728	161,300	181,964	–	6,412,169
Deposits and placements from financial institutions	100,354	–	–	–	–	–	100,354
Other liabilities	–	–	–	–	–	120,254	120,254
Redeemable notes/Sukuk	–	–	–	1,675,877	5,668,081	–	7,343,958
Borrowings	53,726	–	878,148	1,250,000	500,000	–	2,681,874
Infrastructure support fund	–	–	–	–	–	304,166	304,166
Deferred income	–	–	–	–	–	219,962	219,962
Total liabilities	932,765	2,799,492	3,368,876	3,087,177	6,350,045	644,382	17,182,737
Net maturity mismatches	1,912,806	(2,416,098)	(1,250,423)	2,301,585	7,376,838	(586,972)	7,337,736

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

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

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

	Non-trading book						
Bank 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-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	2,371,020	–	–	–	–	–	2,371,020
Deposits and placements with financial institutions	–	882,828	–	–	–	–	882,828
Financial investments at FVOCI	–	–	–	1,062,104	3,855,746	101,170	5,019,020
Loans, financing and advances							
– non-impaired	774,608	201,778	693,330	3,638,503	10,538,765	12,441	15,859,425
– impaired *	–	–	–	–	–	(313,740)	(313,740)
Other assets	–	–	–	–	–	200,976	200,976
Total assets	3,145,628	1,084,606	693,330	4,700,607	14,394,511	847	24,019,529
Equity and liabilities							
Deposits from customers	1,250,951	1,832,024	2,065,935	272,454	70,811	–	5,492,175
Deposits and placements from financial institutions	882,399	150,270	–	–	–	–	1,032,669
Other liabilities	–	–	–	–	–	79,893	79,893
Redeemable notes/Sukuk	–	–	–	2,382,418	4,910,754	–	7,293,172
Borrowings	51,239	–	403,950	1,262,944	457,595	–	2,175,728
Infrastructure support fund	–	–	–	–	–	439,129	439,129
Deferred income	–	–	–	–	–	212,255	212,255
Lease liabilities	12	24	106	167	–	–	309
Total liabilities	2,184,601	1,982,318	2,469,991	3,917,983	5,439,160	731,277	16,725,330
Net maturity mismatches	961,027	(897,712)	(1,776,661)	782,624	8,955,351	(730,430)	7,294,199

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

Notes to the Financial Statements
31 December 2019

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

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

	Non-trading book						
Bank 2018	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Assets							
Cash and short term deposits	2,020,160	–	–	–	–	–	2,020,160
Financial investments at FVOCI	5,934	23,390	9,466	818,846	2,756,528	103,010	3,717,174
Loans, financing and advances							
– non-impaired	525,658	318,693	2,089,986	4,434,163	10,970,331	8,527	18,347,358
– impaired *	–	–	–	–	–	(219,775)	(219,775)
Other assets	–	–	–	–	–	139,938	139,938
Total assets	2,551,752	342,083	2,099,452	5,253,009	13,726,859	31,700	24,004,855
Equity and liabilities							
Deposits from customers	778,685	2,799,492	2,490,728	161,300	181,964	–	6,412,169
Deposits and placements from financial institutions	100,354	–	–	–	–	–	100,354
Other liabilities	–	–	–	–	–	78,513	78,513
Redeemable notes/Sukuk	–	–	–	1,675,877	5,668,081	–	7,343,958
Borrowings	53,726	–	878,148	1,250,000	500,000	–	2,681,874
Infrastructure support fund	–	–	–	–	–	304,166	304,166
Deferred income	–	–	–	–	–	219,962	219,962
Total liabilities	932,765	2,799,492	3,368,876	3,087,177	6,350,045	602,641	17,140,996
Net maturity mismatches	1,618,987	(2,457,409)	(1,269,424)	2,165,832	7,376,814	(570,941)	6,863,859

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

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 2019 and 31 December 2018. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage interest liquidity risk based on discounted expected cash flows.

	Non-trading book						
Group	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
2019							
Liabilities							
Deposits from customers	1,252,626	1,842,865	2,096,150	278,253	73,420	–	5,543,314
Deposits and placements from financial institutions	883,207	150,892	–	–	–	–	1,034,099
Other liabilities	–	–	–	–	–	122,449	122,449
Redeemable notes/Sukuk	–	–	–	2,612,260	7,715,330	–	10,327,590
Borrowings	51,481	–	409,149	1,403,652	611,503	–	2,475,785
Lease liabilities	14	28	127	231	–	–	400
Total liabilities	2,187,328	1,993,785	2,505,426	4,294,396	8,400,253	122,449	19,503,637
2018							
Liabilities							
Deposits from customers	780,169	2,819,274	2,539,643	170,687	187,022	–	6,496,795
Deposits and placements from financial institutions	100,635	–	–	–	–	–	100,635
Other liabilities	–	–	–	–	–	120,254	120,254
Redeemable notes/Sukuk	–	–	–	1,921,450	8,827,519	–	10,748,969
Borrowings	54,442	–	935,957	1,400,514	691,135	–	3,082,048
Total liabilities	935,246	2,819,274	3,475,600	3,492,651	9,705,676	120,254	20,548,701

47. FINANCIAL INSTRUMENTS RISK (cont'd)

(c) Liquidity risk (cont'd)

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

	Non-trading book						
Bank	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
2019							
Liabilities							
Deposits from customers	1,252,626	1,842,865	2,096,150	278,253	73,420	–	5,543,314
Deposits and placements from financial institutions	883,207	150,892	–	–	–	–	1,034,099
Other liabilities	–	–	–	–	–	79,893	79,893
Redeemable notes/Sukuk	–	–	–	2,612,260	7,715,330	–	10,327,590
Borrowings	51,481	–	409,149	1,403,652	611,503	–	2,475,785
Lease liabilities	13	26	116	197	–	–	352
Total liabilities	2,187,327	1,993,783	2,505,415	4,294,362	8,400,253	79,893	19,461,033
2018							
Liabilities							
Deposits from customers	780,169	2,819,274	2,539,643	170,687	187,022	–	6,496,795
Deposits and placements from financial institutions	100,635	–	–	–	–	–	100,635
Other liabilities	–	–	–	–	–	78,513	78,513
Redeemable notes/Sukuk	–	–	–	1,921,450	8,827,519	–	10,748,969
Borrowings	54,442	–	935,957	1,400,514	691,135	–	3,082,048
Total liabilities	935,246	2,819,274	3,475,600	3,492,651	9,705,676	78,513	20,506,960

Notes to the Financial Statements
31 December 2019

48. FAIR VALUES MEASUREMENTS

(a) Financial assets and liabilities measured at fair value

Determination of fair value and the fair value hierarchy

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank classify their financial assets and financial liabilities which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 – Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities instruments;

Level 2 – Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 – Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain government sukuk and corporate sukuk, financing, derivatives and investment properties.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

Notes to the Financial Statements
31 December 2019

48. FAIR VALUES MEASUREMENTS (cont'd)

(a) Financial assets and liabilities measured at fair value (cont'd)

Determination of fair value and the fair value hierarchy (cont'd)

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities.

	2019				2018			
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:								
Financial investments at FVOCI	106,115	4,917,850	–	5,023,965	105,788	3,614,164	–	3,719,952
Total financial assets carried at fair value				5,023,965				3,719,952
Assets for which fair values are disclosed (Note 48 (b)):								
Loans, financing and advances	–	–	15,728,966	15,728,966	–	–	18,379,806	18,379,806
Liabilities for which fair values are disclosed (Note 48 (b)):								
Redeemable notes/Sukuk	–	–	7,456,888	7,456,888	–	–	7,520,390	7,520,390
Borrowings	–	–	2,297,329	2,297,329	–	–	2,368,746	2,368,746

Notes to the Financial Statements
31 December 2019

48. FAIR VALUES MEASUREMENTS (cont'd)

(a) Financial assets and liabilities measured at fair value (cont'd)

Determination of fair value and the fair value hierarchy (cont'd)

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities. (cont'd)

	2019				2018			
Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:								
Financial investments at FVOCI	101,170	4,917,850	–	5,019,020	103,010	3,614,164	–	3,717,174
Total financial assets carried at fair value				5,019,020				3,717,174
Assets for which fair values are disclosed (Note 48 (b)):								
Loans, financing and advances	–	–	15,537,083	15,537,083	–	–	18,222,716	18,222,716
Liabilities for which fair values are disclosed (Note 48 (b)):								
Redeemable notes/Sukuk	–	–	7,456,888	7,456,888	–	–	7,520,390	7,520,390
Borrowings	–	–	2,297,329	2,297,329	–	–	2,368,746	2,368,746

There have been no transfer between Level 1 and Level 2 during the financial year. The fair value of loans, financing and advances that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2% to 13% (2018: 2.0% to 13.0%) whilst the fair value of redeemable notes/sukuk and term loans that are valued at level 3 is estimated by discounting the estimated future cash flows at a discount rate between 3.6% to 7.2% (2018: 3.6% to 7.2%).

Notes to the Financial Statements
31 December 2019

48. FAIR VALUES MEASUREMENTS (cont'd)

(b) Financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts and the estimated fair values of those financial assets not presented on the Group's statements of financial position at their fair value.

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2019				
Financial assets				
Loans, financing and advances	15,701,772	15,728,966	15,545,685	15,537,083
Financial liabilities				
Redeemable notes/Sukuk	7,293,172	7,456,888	7,293,172	7,456,888
Borrowings	2,175,728	2,297,329	2,175,728	2,297,329
2018				
Financial assets				
Loans, financing and advances	18,284,672	18,379,806	18,127,583	18,222,716
Financial liabilities				
Redeemable notes/Sukuk	7,343,958	7,520,390	7,343,958	7,520,390
Borrowings	2,681,874	2,368,746	2,681,874	2,368,746

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Financial investments – Amortised Cost

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earning multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Loans, financing and advances

Loans, financing and advances to borrowers/customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and the Bank could realise in a sale transaction at the reporting date.

The fair values of variable rate loans/financing are estimated to approximate their carrying values. For fixed rate loans/financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers/customers with similar credit profiles. In respect of impaired loans/financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

48. FAIR VALUES MEASUREMENTS (cont'd)

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

(iii) Deposits from customers, deposits and placements from financial institutions, and bills and acceptance payable

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(iv) Subordinated obligations and borrowings

The fair values of capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest/profit rates for securities as at reporting date.

49. ISLAMIC FINANCIAL BUSINESS

The state of affairs as at 31 December 2019 and results for the financial year ended on this date under the Islamic financial business of the Group and the Bank included in the Group financial statements are summarised as follows:

Statements of Financial Position
As at 31 December 2019

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Cash and short term deposits	(a)	1,384,176	867,162	1,351,797	833,719
Deposits and placements with financial institutions	(b)	150,681	–	150,681	–
Financial investments at FVOCI	(c)	2,006,990	2,895,208	2,006,990	2,895,208
Financing and advances	(d)	11,254,745	9,848,598	11,222,492	9,818,277
Other assets	(e)	5,026	23,929	4,737	23,050
Total assets		14,801,618	13,634,897	14,736,697	13,570,254
Liabilities					
Deposits from customers	(f)	4,852,186	5,359,624	4,852,186	5,359,624
Deposits from financial institutions	(g)	501,519	100,354	501,519	100,354
Other liabilities	(h)	236,061	165,243	209,520	138,377
Sukuk	(i)	6,076,247	6,076,858	6,076,247	6,076,858
Deferred income		212,255	219,962	212,255	219,962
Total liabilities		11,878,268	11,922,041	11,851,727	11,895,175
Equity					
Capital funds		1,722,418	1,602,400	1,717,418	1,597,400
Reserves	(j)	1,200,932	110,456	1,167,552	77,679
Total equity		2,923,350	1,712,856	2,884,970	1,675,079
Total liabilities and equity		14,801,618	13,634,897	14,736,697	13,570,254
Commitments and contingencies	(s)	6,769,669	5,432,356	6,769,669	5,432,356

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

Statements of Profit or Loss
For the Financial Year Ended 31 December 2019

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds	(k)	218,930	242,469	218,930	242,469
Income derived from investment of shareholders' funds	(l)	564,810	561,619	561,044	557,389
Allowance for impairment losses on financing and advances	(m)	(93,857)	(168,667)	(93,119)	(174,121)
(Allowance)/writeback for impairment losses on other assets	(n)	(55,902)	207	(55,902)	207
Total distributable income		633,981	635,628	630,953	625,944
Income attributable to the depositors	(o)	(195,139)	(225,351)	(195,139)	(225,351)
Total net income		438,842	410,277	435,814	400,593
Overhead expenses	(p)	(57,842)	(47,569)	(58,587)	(47,509)
Finance cost	(q)	(277,184)	(280,889)	(277,184)	(280,889)
Profit before zakat		103,816	81,819	100,043	72,195
Zakat	(r)	(24,296)	(17,488)	(21,126)	(14,972)
Profit for the financial year		79,520	64,331	78,917	57,223

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

Statements of Comprehensive Income
For the Financial Year Ended 31 December 2019

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Profit for the financial year	79,520	64,331	78,917	57,223
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Debt instruments at fair value through other comprehensive income:				
– Net change in fair value during the year	75,060	9,488	75,060	9,488
– Changes in allowance for expected credit losses	55,914	6	55,914	6
	130,974	9,494	130,974	9,494
Total comprehensive income for the financial year	210,494	73,825	209,891	66,717
Total comprehensive income attributable to:				
Shareholders of the Bank	210,494	73,825	209,891	66,717
	210,494	73,825	209,891	66,717
Net income from Islamic financial business:				
Income derived from investment of depositors' funds	218,930	242,469	218,930	242,469
Income derived from investment of shareholders' funds	564,810	561,619	561,044	557,389
Income attributable to the depositors	(195,139)	(225,351)	(195,139)	(225,351)
Finance cost	(277,184)	(280,889)	(277,184)	(280,889)
Net income from Islamic financial business reported in the statements of profit or loss	311,417	297,848	307,651	293,618

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

Consolidated Statement of Changes in Equity
For the Financial Year Ended 31 December 2019

	Capital funds RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
Group					
At 1 January 2019	1,602,400	–	23,441	87,015	1,712,856
Total comprehensive income for the financial year	–	–	130,974	79,520	210,494
Transfer to statutory reserve	–	19,729	–	(19,729)	–
Capital re-allocation	120,018	423,754	–	456,228	1,000,000
At 31 December 2019	1,722,418	443,483	154,415	603,034	2,923,350
At 1 January 2018	1,602,400	–	13,947	22,684	1,639,031
Total comprehensive income for the financial year	–	–	9,494	64,331	73,825
At 31 December 2018	1,602,400	–	23,441	87,015	1,712,856
Bank					
At 1 January 2019	1,597,400	–	23,441	54,238	1,675,079
Total comprehensive income for the financial year	–	–	130,974	78,917	209,891
Transfer to statutory reserve	–	19,729	–	(19,729)	–
Capital re-allocation	120,018	423,754	–	456,228	1,000,000
At 31 December 2019	1,717,418	443,483	154,415	569,654	2,884,970
At 1 January 2018	1,597,400	–	13,947	(2,985)	1,608,362
Total comprehensive income for the financial year	–	–	9,494	57,223	66,717
At 31 December 2018	1,597,400	–	23,441	54,238	1,675,079

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

Statements of Cash Flows
For the Financial Year Ended 31 December 2019

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Profit before zakat	103,816	81,819	100,043	72,195
Adjustments for:				
Net gain on sale of financial investments at FVOCI (Note 49(l))	(18,882)	(9,168)	(18,882)	(9,168)
Accretion of discount less amortisation of premium of financial investments (Note 49(l))	(16,041)	(592)	(16,041)	(592)
Allowance for impairment losses on financing and advances, net (Note 49(m))	93,481	172,629	92,409	178,103
Loss due to financing modification (Note 49(k) and Note 49(l))	(5,546)	1,188	(5,546)	1,188
Impairment allowance for:				
Financial investments at FVOCI (Note 49(n))	55,914	6	55,914	6
Impaired financing written off (Note 49(m))	809	683	787	556
Allowance for ex-staff financing (Note 49(n))	–	52	–	52
Compensation from the Government (Note 49(l))	(17,894)	(16,334)	(17,894)	(16,334)
Operating cash flows before working capital changes	195,657	230,283	190,790	226,006
(Increase)/decrease in operating assets:				
Other assets	(2,940)	34,165	(3,531)	33,676
Deposits and placements with financial institutions	(150,681)	–	(150,681)	–
Financing and advances	(1,484,703)	(1,020,459)	(1,481,676)	(1,033,315)
	(1,638,324)	(986,294)	(1,635,888)	(999,639)

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

Statements of Cash Flows
For the Financial Year Ended 31 December 2019 (cont'd)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities (cont'd)				
(Decrease)/increase in operating liabilities:				
Other liabilities	63,191	44,373	66,686	50,893
Deposits from customers	(507,438)	(454,199)	(507,438)	(454,199)
Deposits and placements from financial institutions	401,165	100,354	401,165	100,354
	(43,082)	(309,472)	(39,587)	(302,952)
Cash used in operating activities	(1,485,749)	(1,065,483)	(1,484,685)	(1,076,585)
Zakat paid	(17,282)	(15,847)	(17,282)	(15,847)
Net cash used in operating activities	(1,503,031)	(1,081,330)	(1,501,967)	(1,092,432)
Cash flows from investing activities				
Purchase of financial investments at FVOCI	(681,904)	(1,087,924)	(681,904)	(1,087,924)
Proceeds from disposal/maturity of financial investments at FVOCI	1,701,949	2,496,224	1,701,949	2,496,224
Net cash generated from investing activities	1,020,045	1,408,300	1,020,045	1,408,300
Cash flows from financing activities				
Net repayment of acceptance payables	–	(250,000)	–	(250,000)
Proceeds from government compensation	–	3,056	–	3,056
Capital re-allocation	576,246	–	576,246	–
Statutory reserve re-allocation	423,754	–	423,754	–
Net cash generated from/(used in) financing activities	1,000,000	(246,944)	1,000,000	(246,944)

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

Statements of Cash Flows
For the Financial Year Ended 31 December 2019 (cont'd)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net increase in cash and cash equivalents	517,014	80,026	518,078	68,924
Cash and cash equivalents at beginning of financial year	867,162	787,136	833,719	764,795
Cash and cash equivalents at end of financial year	1,384,176	867,162	1,351,797	833,719

Cash and cash equivalents comprise:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and short term deposits (Note (a))	1,384,176	867,162	1,351,797	833,719

(a) Cash and Short Term Deposits

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances with financial institutions	3,502	36,980	1,749	33,950
Money at call and deposit placements maturing within one month	1,380,674	830,182	1,350,048	799,769
	1,384,176	867,162	1,351,797	833,719

(b) Deposits and placements with financial institutions

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	150,681	–	150,681	–

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(c) Financial Investments at FVOCI

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
Debt Instruments:				
Money market instruments:				
Government investment issues	532,047	849,769	532,047	849,769
Unquoted securities:				
Sukuk	1,474,943	2,045,439	1,474,943	2,045,439
Total financial investments at FVOCI	2,006,990	2,895,208	2,006,990	2,895,208

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

		Lifetime ECL		
2019 Group and Bank	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January	286	–	–	286
Net allowance made	1,809	54,105	–	55,914
New financial investments purchased	34	20,936	–	20,970
Net allowance additional	1,775	33,169	–	34,944
At 31 December	2,095	54,105	–	56,200

		Lifetime ECL		
2018 Group and Bank	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January	280	–	–	280
Net allowance made	6	–	–	6
New financial investments purchased	17	–	–	17
Net allowance written back	(11)	–	–	(11)
At 31 December	286	–	–	286

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(d) Financing and Advances

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Bai' Bithaman Ajil	91,999	151,682	89,053	148,132
Murabahah	8,315	9,273	8,315	9,273
Istisna'	3,884,854	4,686,641	3,884,854	4,686,641
Ijarah Muntahiyah bi Tamlik	52,079	52,945	20,694	21,616
Tawarruq	14,969,098	12,342,630	14,964,129	12,341,213
Staff financing	7,884	10,421	7,884	10,421
Unearned income	(6,542,567)	(6,272,126)	(6,542,567)	(6,272,126)
Gross financing and advances	12,471,662	10,981,466	12,432,362	10,945,170
Allowance for impairment on financing and advances:				
– Stage 1: 12-Month ECL	(595,108)	(522,081)	(593,149)	(521,902)
– Stage 2: Lifetime ECL not credit impaired	(197,685)	(154,315)	(197,686)	(154,298)
– Stage 3: Lifetime ECL credit impaired	(424,124)	(456,472)	(419,035)	(450,693)
	(1,216,917)	(1,132,868)	(1,209,870)	(1,126,893)
Net financing and advances	11,254,745	9,848,598	11,222,492	9,818,277

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Domestic business enterprises	12,464,185	10,972,187	12,427,831	10,939,441
Individual	7,477	9,279	4,531	5,729
	12,471,662	10,981,466	12,432,362	10,945,170

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Fixed rate:				
Housing financing	7,477	9,279	4,531	5,729
Other fixed rate financing	8,021,671	7,139,737	8,021,671	7,106,991
Variable rate:				
Cost plus	2,331,127	2,220,365	2,294,773	2,220,365
Other variable rates	2,111,387	1,612,085	2,111,387	1,612,085
	12,471,662	10,981,466	12,432,362	10,945,170

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(d) Financing and Advances (cont'd)

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Agriculture, hunting & forestry	11	9	–	–
Construction	5,862,923	4,910,146	5,862,923	4,906,112
Education	1,761,496	1,459,353	1,761,496	1,459,353
Electricity, gas and water supply	133,331	119,589	133,331	119,589
Finance, takaful and business	31,873	25,267	–	–
Hotel and restaurants	314,796	235,843	314,796	235,843
Housing	4,531	5,729	4,531	5,729
Manufacturing	238,365	240,452	238,141	240,032
Marine related	181,999	50,336	181,999	50,335
Other community, social and personal service activities	58,967	62,416	56,018	62,305
Public administration and defence	16,156	23,572	16,156	23,572
Shipping	517,304	407,156	517,304	407,156
Shipyard	130,339	157,597	130,339	157,597
Transport, storage and communication	3,219,571	3,284,001	3,215,328	3,277,547
	12,471,662	10,981,466	12,432,362	10,945,170

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Receivable after 12 months	11,369,576	9,313,317	11,330,276	9,278,686
Receivable within 12 months	1,102,086	1,668,149	1,102,086	1,666,484
	12,471,662	10,981,466	12,432,362	10,945,170

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At 1 January	802,978	887,951	791,580	874,840
Impaired during the financial year	45,969	130,885	45,969	125,902
Reclassified as non-impaired	(55,096)	(2,593)	(55,096)	–
Recovered during the financial year	(68,924)	(54,186)	(66,879)	(50,640)
Amount written off	(8,484)	(159,079)	(8,484)	(158,522)
At 31 December	716,443	802,978	707,090	791,580
Gross impaired financing and advances as a % of gross financing and advances	5.74%	7.31%	5.69%	7.23%

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(d) Financing and Advances (cont'd)

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

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Construction	84,256	53,708	84,256	49,674
Education	39,979	45,625	39,979	45,625
Electricity, gas and water supply	21,752	21,701	21,752	21,701
Hotel and restaurants	114,000	111,462	113,085	111,462
Manufacturing	17,274	30,474	17,236	30,255
Shipping	275,851	370,443	275,851	370,443
Other community, social and personal service activities	5,631	–	–	–
Transport, storage and communication	157,700	169,565	154,931	162,420
	716,443	802,978	707,090	791,580

(viii) Movements in allowance for impaired financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2019				
At 1 January	522,081	154,315	456,472	1,132,868
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(46,227)	46,227	–	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	–	(14,236)	14,236	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	–	34,947	(34,947)	–
Allowance made/(written back), net	119,254	(23,568)	(2,205)	93,481
Amount written off	–	–	(9,432)	(9,432)
At 31 December 2019	595,108	197,685	424,124	1,216,917
2018				
At 1 January	391,516	137,254	587,529	1,116,299
– Transfer to 12-Month ECL (Stage 1)	4	(4)	–	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(47,707)	47,707	–	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	–	(26,825)	26,825	–
Allowance made/(written back), net	178,268	(3,817)	(1,822)	172,629
Amount written off	–	–	(156,060)	(156,060)
At 31 December 2018	522,081	154,315	456,472	1,132,868

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(d) Financing and Advances (cont'd)

(viii) Movements in allowance for impaired financing and advances are as follows (cont'd):

Bank	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2019				
At 1 January	521,902	154,298	450,693	1,126,893
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(46,227)	46,227	–	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	–	(14,236)	14,236	–
– Transfer from Lifetime ECL credit impaired (Stage 3)	–	34,947	(34,947)	–
Allowance made/(written back), net	117,474	(23,550)	(1,515)	92,409
Amount written off	–	–	(9,432)	(9,432)
At 31 December 2019	593,149	197,686	419,035	1,209,870
2018				
At 1 January	391,416	137,219	578,122	1,106,757
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(47,702)	47,702	–	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	–	(26,794)	26,794	–
Allowance made/(written back), net	178,188	(3,829)	3,744	178,103
Amount written off	–	–	(157,967)	(157,967)
At 31 December 2018	521,902	154,298	450,693	1,126,893

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(d) Financing and Advances (cont'd)

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within Malaysia	12,471,662	10,981,466	12,432,362	10,945,170

(e) Other Assets

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sundry receivables	2,179	17,746	1,890	16,867
Amount receivable from Government	572	735	572	735
Interfund receivables	2,275	5,448	2,275	5,448
	5,026	23,929	4,737	23,050

(f) Deposits from Customers

	Group and Bank	
	2019 RM'000	2018 RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	4,852,186	5,359,624
(a) The deposits are sourced from the following types of customers:		
Business enterprises	880,874	487,982
Government and statutory bodies	3,971,312	4,871,642
	4,852,186	5,359,624
(b) The deposits maturity structure are as follows:		
Less than six months	4,253,976	4,483,330
Six months to one year	254,946	876,294
Three years to five years	272,454	–
Over five years	70,810	–
	4,852,186	5,359,624

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(g) Deposits and Placements from Financial Institutions

	Group and Bank	
	2019 RM'000	2018 RM'000
At amortised cost		
Licensed banks	501,519	100,354
(a) The deposits maturity structure are as follows:		
Less than six months	501,519	100,354

(h) Other Liabilities

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables		7,346	4,982	6,382	4,551
Zakat payables		24,520	15,766	21,350	14,980
Kafalah received in advance		19,854	15,526	19,854	15,526
Shariah non-compliant income	(i)	27	–	27	–
Interfund payables	(ii)	184,314	128,969	161,907	103,320
		236,061	165,243	209,520	138,377

(i) Shariah non-compliant income

	No. of events	2019 RM'000	No. of events	2018 RM'000
SNC income derecognised from the Bank's income due to placement of Islamic fund in Conventional Instrument	2	27	–	–
	2	27	–	–

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(h) Other Liabilities (cont'd)

(i) Shariah non-compliant income (cont'd)

The Bank has taken necessary corrective as well as preventive measures to avoid the same incidences from recurrence where the rectification plan had been endorsed by the Shariah Committee.

During the financial year 2018, there was no incident of Shariah non-compliance event.

Group and Bank	Shariah Non-Compliance Income RM'000	Total RM'000
Undistributed funds as at 31 December 2018/1 January 2019	–	–
Funds collected/received during the year	27	27
Undistributed funds as at 31 December 2019	27	27

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

(i) Sukuk

		Group and Bank	
	Note	2019 RM'000	2018 RM'000
Non-guaranteed			
Sukuk Murabahah	(i)	3,034,278	3,034,656
		3,034,278	3,034,656
Guaranteed			
Sukuk Murabahah	(ii)	3,041,969	3,042,202
		3,041,969	3,042,202
		6,076,247	6,076,858

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(i) Sukuk (cont'd)

(i) These sukuk carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2026, 2027, 2031, 2032 and 2035 respectively.

(ii) These sukuk carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These sukuk will mature in September 2021, 2024, 2029 and 2034 respectively.

The movements in the sukuk are as follows:

	Group and Bank	
	2019 RM'000	2018 RM'000
Non-guaranteed		
Sukuk Murabahah		
Principal		
At 1 January/31 December	3,000,000	3,000,000
Accrued profit payable		
At 1 January	34,656	34,269
Charge for the financial year	139,787	140,552
Payment during the financial year	(140,165)	(140,165)
At 31 December	34,278	34,656
	3,034,278	3,034,656
Guaranteed notes		
Sukuk Murabahah		
Principal		
At 1 January/31 December	3,000,000	3,000,000
Accrued profit payable		
At 1 January	42,202	41,671
Charge for the financial year	137,397	138,160
Payment during the financial year	(137,630)	(137,629)
At 31 December	41,969	42,202
	3,041,969	3,042,202

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(j) Reserves

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable:					
Unrealised FVOCI reserve	(i)	154,415	23,441	154,415	23,441
Statutory reserve		443,483	–	443,483	–
		597,898	23,441	597,898	23,441
Distributable:					
Retained profits		603,034	87,015	569,654	54,238
		1,200,932	110,456	1,167,552	77,679

(i) Unrealised FVOCI reserve represents the cumulative fair value changes and changes in allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired.

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	23,441	13,947	23,441	13,947
Unrealised gain on fair value changes	75,060	9,488	75,060	9,488
Changes in allowance for expected credit loss	55,914	6	55,914	6
At 31 December	154,415	23,441	154,415	23,441

(k) Income Derived from Investment of Depositors' Funds

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance Income				
Financing and advances	203,530	227,841	203,530	227,841
Other income:				
Fee income	13,460	14,905	13,460	14,905
Ta'widh	258	192	258	192
Gain/(loss) on financing modification	1,682	(469)	1,682	(469)
	218,930	242,469	218,930	242,469
Of which:				
Finance income earned on impaired financing and advances	4,203	10,124	4,220	10,124

Notes to the Financial Statements
31 December 2019

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(l) Income Derived from Investment of Shareholders' Funds

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance Income				
Financing and advances	359,130	327,633	356,534	324,193
Compensation from the Government	17,894	16,334	17,894	16,334
Deposits and placements with financial institution	42,343	36,243	41,349	35,558
Financial investments at FVOCI	81,555	151,051	81,555	151,051
	500,922	531,261	497,332	527,136
Accretion of discount less amortisation of premium	16,041	592	16,041	592
	516,963	531,853	513,373	527,728
Other income:				
Net gain arising on financial investment at FVOCI:				
– net gain on disposal	18,882	9,168	18,882	9,168
Fee income	24,615	21,040	24,439	20,935
Ta'widh	486	277	486	277
Gain/(loss) on financing modification	3,864	(719)	3,864	(719)
	564,810	561,619	561,044	557,389
Of which:				
Finance income earned on impaired financing and advances	7,417	14,442	7,392	14,412

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(m) Allowances for Impairment Losses of Financing and Advances

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Stage 1 - 12-month ECL, net	73,027	130,565	71,247	130,486
Stage 2 - Lifetime ECL not credit impaired, net	43,370	17,061	43,388	17,079
Stage 3 - Lifetime ECL credit impaired, net	(22,916)	25,003	(22,226)	30,538
Impaired financing:				
Written off	809	683	787	556
Recovered	(433)	(4,645)	(77)	(4,538)
	93,857	168,667	93,119	174,121

(n) Allowance/(writeback) for Impairment Losses on Other Assets

	Group and Bank	
	2019 RM'000	2018 RM'000
Financial investments at FVOCI	55,914	6
Allowance for ex-staff financing		
– Made during the financial year	–	52
– Written back	(12)	(265)
	55,902	(207)

(o) Income Attributable to the Depositors

	Group and Bank	
	2019 RM'000	2018 RM'000
Deposits from customers	190,797	221,701
Deposits and placements from financial institutions	4,342	3,650
	195,139	225,351

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(p) Overhead Expenses

		Group		Bank	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs	(i)	40,263	33,368	39,615	32,711
Establishment related expenses	(ii)	4,326	2,918	4,244	2,794
Promotion and marketing expenses	(iii)	1,888	1,031	1,887	1,031
General administrative expenses	(iv)	11,365	10,252	12,841	10,973
		57,842	47,569	58,587	47,509
(i) Personnel costs					
Salaries, allowances and bonuses		31,648	26,853	31,129	26,351
Social security cost		214	171	207	164
Pension costs – Defined contribution plan		4,190	3,184	4,098	3,096
Other staff related expenses		4,211	3,160	4,181	3,100
		40,263	33,368	39,615	32,711
(ii) Establishment related expenses					
Repairs and maintenance of property, plant and equipment		918	906	918	906
Information technology expenses		3,408	2,012	3,326	1,888
		4,326	2,918	4,244	2,794
(iii) Promotion and marketing expenses					
Advertisement and publicity		1,888	1,031	1,887	1,031
(iv) General administrative expenses					
General administrative expenses		11,365	10,252	12,841	10,973

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

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Shariah Committee's remuneration	224	206	224	206

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(q) Finance Cost

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sukuk	277,184	278,712	277,184	278,712
Bills and acceptance payable	–	2,177	–	2,177
	277,184	280,889	277,184	280,889

(r) Zakat

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Zakat	24,296	17,488	21,126	14,972

Zakat represents business zakat payable by the Bank to comply with the principles of Shariah and as endorsed by the Shariah Committee. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. The zakat on business for the financial year has been computed using the capital growth computation method at the rate of 2.5775%.

The zakat amount is paid to the states' zakat management agencies and eligible beneficiaries *(asnaf)* in Malaysia. The proposals of distribution of zakat fund by the Bank to eligible beneficiaries *(asnaf)* were approved by the Shariah Committee.

(s) Commitments and Contingencies

	Group and Bank	
	2019 RM'000	2018 RM'000
Contingencies as at the financial year end constitute the following:		
Secured guarantees on behalf of customers given to third parties	2,264,486	1,706,997
Disbursement of financing and advances to industries	4,505,183	3,725,359
	6,769,669	5,432,356

49. ISLAMIC FINANCIAL BUSINESS (cont'd)

(t) Capital Adequacy

Capital management

Regulatory capital

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

	Bank	
	2019 RM'000	2018 RM'000
Tier 1 capital		
Capital funds	1,717,418	1,597,400
Other reserves	1,167,552	77,679
Total Tier 1 capital	2,884,970	1,675,079
Tier 2 capital		
Government support funds	212,255	219,962
Stage 1 and Stage 2 expected credit loss allowances	790,835	676,200
Total Tier 2 capital	1,003,090	896,162
Total capital base	3,888,060	2,571,241

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

	Bank	
	2019 RM'000	2018 RM'000
10%	–	–
20%	305,054	167,043
50%	1,235,447	822,943
100%	14,944,801	13,873,128
	16,485,302	14,863,114

Without deducting proposed dividend:

	Bank	
	2019 %	2018 %
Core capital ratio	17.500	11.270
RWCR	23.585	17.299

Notes to the Financial Statements
31 December 2019

50. GOVERNMENT FUNDS

As a development financial institututon, the Bank performs its mandated roles to promote strategic sectors identified by the Government of Malaysia as follows:

(a) Tourism Infrastructure Fund

The objective of the tourism infrastructure fund is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

(b) Tourism Infrastructure Development Fund

The objective of the tourism infrastructure development fund is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

(c) Maritime Fund

The objective of the maritime fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

(d) Maritime Development Fund

The objective of the maritime development fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

(e) Public Transport Fund

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

(f) Industry Digitalisation Transformation Fund

The objective of the industry digitalisation transformation fund is to accelerate the industry adoption of Industry 4.0 related technologies, fund the transformation of Malaysia's industrial capabilities and support the adoption of digital transformation.

(g) Sustainable Development Financing Fund

The objective of the sustainable development financing fund is to support Government's efforts to implement the 17 Sustainable Development Goals (SDGs) under the United Nation's Development Programme 2030 agenda for sustainable development.

(h) Tourism Infrastructure Fund 2.0

The objective of the tourism infrastructure fund 2.0 is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

(i) Maritime Fund 2.0

The objective of the maritime fund 2.0 is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

(j) Public Transport Fund 2.0

The objective of the public transport fund 2.0 is to increase the utilisation of public transport by funding the improvements and growth of public transport coverage and services.

For all the above funds, the Group and the Bank act as a financier that bear the credit risk and recognise its credit losses in the financial statements.

Notes to the Financial Statements
31 December 2019

50. GOVERNMENT FUNDS (cont'd)

50.1 Performance of the fund

2019						
Group	Tourism Infrastructure fund 2.0* RM'000	Maritime fund 2.0* RM'000	Public Transport fund 2.0* RM'000	Industry Digitalisation Transformation fund* RM'000	Sustainable Development Financing fund* RM'000	Subtotal 1 RM'000
Allocated funds	1,000,000	1,500,000	500,000	3,000,000	1,000,000	7,000,000
Net approved	(324,272)	(212,473)	(10,552)	(224,048)	(418,603)	(1,189,948)
Fund available	675,728	1,287,527	489,448	2,775,952	581,397	5,810,052
Loans, financing and advances:						
Disbursement	11,370	22,230	–	177,948	–	211,548
Repayment	–	–	–	(8,953)	–	(8,953)
Outstanding	11,370	22,230	–	168,995	–	202,595
Number of beneficiaries	1	1	–	1	–	3
Expiry	Dec 20	Dec 20	Dec 20	Dec 20	Dec 20	

* Fund was created on 1 January 2019.

2019						
Group	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Subtotal 2 RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	1,000,000	12,894,258
Net approved	(1,849,114)	(1,168,199)	(3,233,696)	(741,272)	(326,043)	(7,318,324)
Fund available	550,886	831,801	1,260,562	2,258,728	673,957	5,575,934
Loans, financing and advances:						
Disbursement	1,847,359	705,809	5,809,651	434,033	325,962	9,122,814
Repayment	(948,306)	(201,544)	(4,471,750)	(47,349)	(299,981)	(5,968,930)
Outstanding	899,053	504,265	1,337,901	386,684	25,981	3,153,884
Number of beneficiaries	57	12	41	6	107	223
Expiry*	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

* The expiry date of these fund were extended to December 2020 subsequent to year end.

50. GOVERNMENT FUNDS (cont'd)

50.1 Performance of the fund (cont'd)

2019

Group	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000
Allocated funds	7,000,000	12,894,258	19,894,258
Net approved	(1,189,948)	(7,318,324)	(8,508,272)
Fund available	5,810,052	5,575,934	11,385,986
Loans, financing and advances:			
Disbursement	211,548	9,122,814	9,334,362
Repayment	(8,953)	(5,968,930)	(5,977,883)
Outstanding	202,595	3,153,884	3,356,479
Number of beneficiaries	3	223	226

2018

Group	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Total RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	1,000,000	12,894,258
Net approved	(1,849,114)	(1,168,199)	(3,233,696)	(741,272)	(326,043)	(7,318,324)
Fund available	550,886	831,801	1,260,562	2,258,728	673,957	5,575,934
Loans, financing and advances:						
Disbursement	1,843,791	498,771	5,230,863	167,462	325,962	8,066,849
Repayment	(850,445)	(146,323)	(3,765,310)	(39,221)	(282,759)	(5,084,058)
Outstanding	993,346	352,448	1,465,553	128,241	43,203	2,982,791
Number of beneficiaries	57	10	41	4	107	219
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

50. GOVERNMENT FUNDS (cont'd)

50.2 Performance of the fund

2019

Bank	Tourism Infrastructure fund 2.0* RM'000	Maritime fund 2.0* RM'000	Public Transport fund 2.0* RM'000	Industry Digitalisation Transformation fund* RM'000	Sustainable Development Financing fund* RM'000	Subtotal 1 RM'000
Allocated funds	1,000,000	1,500,000	–	3,000,000	1,000,000	6,500,000
Net approved	(324,272)	(212,473)	–	(224,048)	(418,603)	(1,179,396)
Fund available	675,728	1,287,527	–	2,775,952	581,397	5,320,604
Loans, financing and advances:						
Disbursement	11,370	22,230	–	177,948	–	211,548
Repayment	–	–	–	(8,953)	–	(8,953)
Outstanding	11,370	22,230	–	168,995	–	202,595
Number of beneficiaries	1	1	–	1	–	3
Expiry	Dec 20	Dec 20	Dec 20	Dec 20	Dec 20	

* Fund was created on 1 January 2019.

2019

Bank	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Subtotal 2 RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	5,742	11,900,000
Net approved	(1,849,114)	(1,168,199)	(3,233,696)	(741,272)	(5,742)	(6,998,023)
Fund available	550,886	831,801	1,260,562	2,258,728	–	4,901,977
Loans, financing and advances:						
Disbursement	1,847,359	705,809	5,809,651	434,033	5,661	8,802,513
Repayment	(948,306)	(201,544)	(4,471,750)	(47,349)	(5,661)	(5,674,610)
Outstanding	899,053	504,265	1,337,901	386,684	–	3,127,903
Number of beneficiaries	57	12	41	6	1	117
Expiry*	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

* The expiry date of these fund were extended to December 2020 subsequent to year end.

50. GOVERNMENT FUNDS (cont'd)

50.2 Performance of the fund (cont'd)

Bank	2019 Subtotal 1 RM'000	2019 Subtotal 2 RM'000	2019 Total RM'000
Allocated funds	6,500,000	11,900,000	18,400,000
Net approved	(1,179,396)	(6,998,023)	(8,177,419)
Fund available	5,320,604	4,901,977	10,222,581
Loans, financing and advances:			
Disbursement	211,548	8,802,513	9,014,061
Repayment	(8,953)	(5,674,610)	(5,683,563)
Outstanding	202,595	3,127,903	3,330,498
Number of beneficiaries	14	117	131

2018

Bank	Tourism Infrastructure fund RM'000	Tourism Infrastructure Development fund RM'000	Maritime fund RM'000	Maritime Development fund RM'000	Public Transport fund RM'000	Total RM'000
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	5,742	11,900,000
Net approved	(1,849,114)	(1,168,199)	(3,233,696)	(741,272)	(5,742)	(6,998,023)
Fund available	550,886	831,801	1,260,562	2,258,728	–	4,901,977
Loans, financing and advances:						
Disbursement	1,843,791	498,771	5,230,863	167,462	5,661	7,746,548
Repayment	(850,445)	(146,323)	(3,765,310)	(39,221)	(5,661)	(4,806,960)
Outstanding	993,346	352,448	1,465,553	128,241	–	2,939,588
Number of beneficiaries	57	10	41	4	1	113
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

51. SUBSEQUENT EVENTS

Bank Negara Malaysia ("BNM") has made an announcement on 25 March 2020 relating to measures to be undertaken by banking institutions that include a six-month deferment (moratorium) for all loans/financing repayments/payments, effective from 1 April 2020, to assist individuals and Small and Medium Enterprises ("SMEs") to manage the impact of the Covid-19 outbreak. In support of this initiative, the Bank, on 9 April 2020 have decided to offer a 6-month moratorium to existing borrowers/customers who fulfilled the criteria set by the Bank. The moratorium is expected to be a temporary arrangement and economic recovery will be supported by the announcement of government economic stimulus package amounting to RM250 billion on 27 March 2020 and additional RM10.0 billion for SMEs.

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