

RE : MIND

ANNUAL INTEGRATED REPORT 2021

ABOUT US

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

RE: MIND

Since BPMB's inception, we have strived to create meaningful and sustainable impact for Malaysia. Today, our role has evolved to meet the future needs of the nation. As we continue maturing as an organisation, it is important to remind ourselves why we started on this journey, to help build a progressive, inclusive and sustainable future for our stakeholders.

PURPOSE

Developing a sustainable and inclusive Malaysia

VISION

Malaysia's leading development partner

MISSION

Impactful delivery with strategic outcomes

ABOUT THIS REPORT

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

THE JOURNEY CONTINUES...

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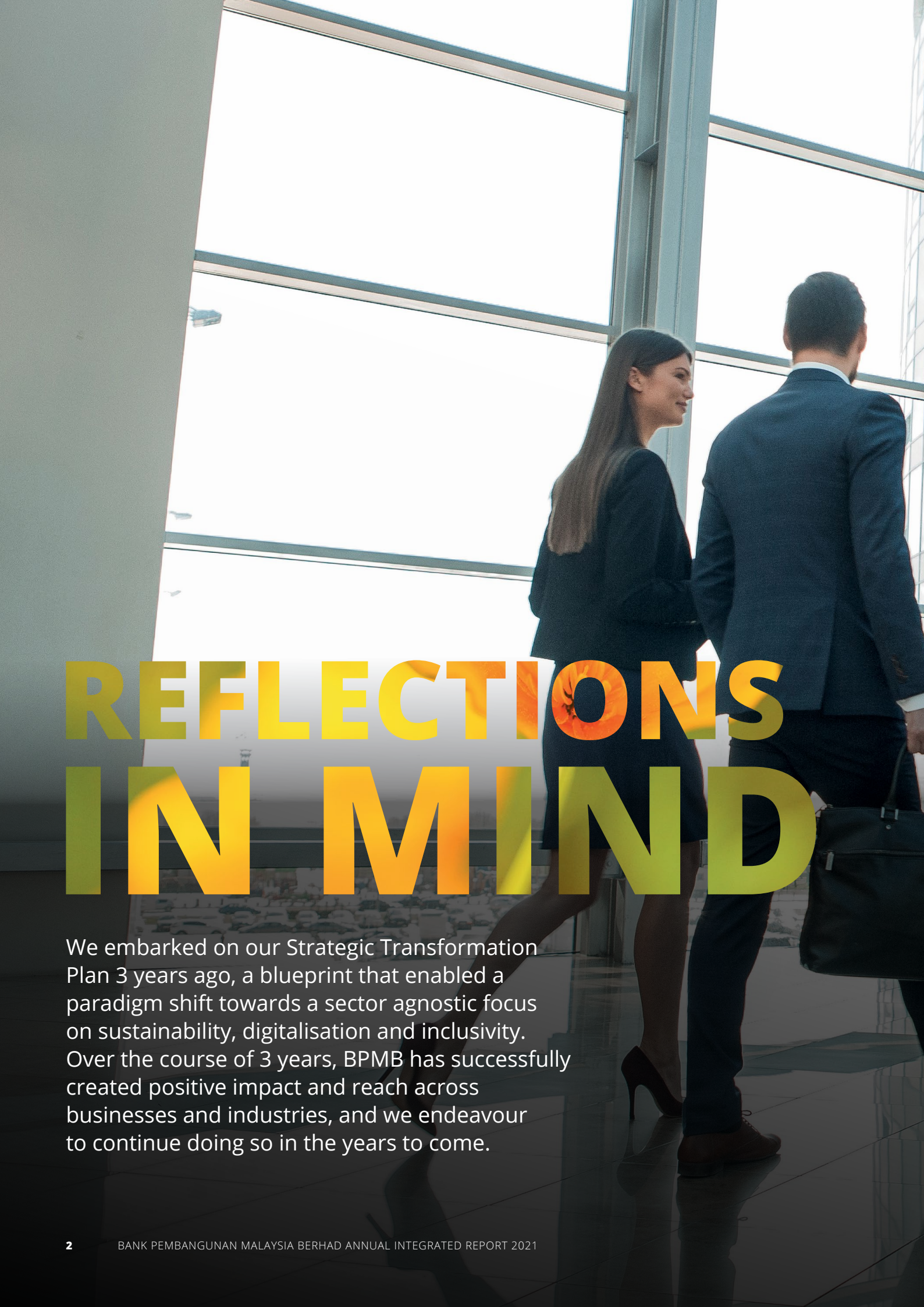
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REFLECTIONS IN MIND

We embarked on our Strategic Transformation Plan 3 years ago, a blueprint that enabled a paradigm shift towards a sector agnostic focus on sustainability, digitalisation and inclusivity. Over the course of 3 years, BPMB has successfully created positive impact and reach across businesses and industries, and we endeavour to continue doing so in the years to come.



As Malaysia's leading developmental partner, BPMB plays a catalytic role in helping businesses prosper and the economy recover. The 3-year Strategic Transformation Plan has been instrumental in guiding us forward in a constantly evolving market. ”

TAN SRI NAZIR RAZAK
Chairman

OUR REACH

2020

MIND

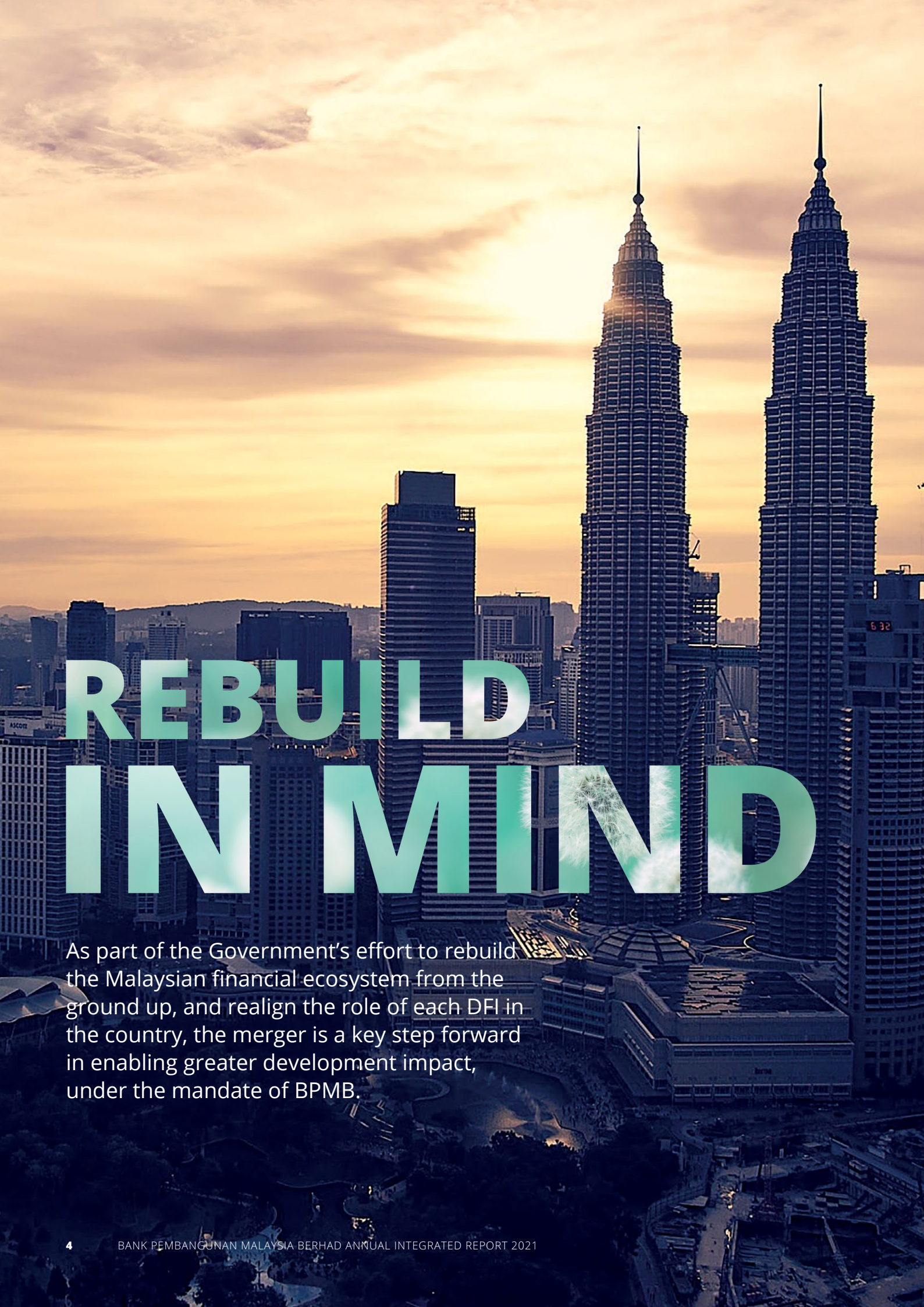
Impact Assessment Framework

The launch of "Measuring Impact on National Development (MIND)" aims to ensure clear and objective decision-making, efficient and proper allocation of resources, and that good governance is upheld across all evaluated projects. This framework ensures impact-driven financing catalyses sustainable development in Malaysia.

2021

Acquisition of Danajamin Nasional Berhad

The acquisition transforms Danajamin Nasional Berhad (Danajamin) into a wholly-owned subsidiary of BPMB, in line with the Government's aim of improving the development finance sector to better support businesses and national development as a whole.



REBUILD IN MIND

As part of the Government's effort to rebuild the Malaysian financial ecosystem from the ground up, and realign the role of each DFI in the country, the merger is a key step forward in enabling greater development impact, under the mandate of BPMB.



As Malaysia's first financial guarantee insurance provider, Danajamin will complement our existing business and product offerings, creating synergies that will benefit all our stakeholders. The sharing of resources and integration of operations, will lay the foundations for a stronger, more aligned ecosystem. ”

RONI L. ABDULWAHAB
Group Chief Executive Officer

OUR RESOURCES

Acquisition of Danajamin Nasional Berhad

On 12 November 2021, BPMB completed a 100% acquisition of Danajamin Nasional Berhad (Danajamin). The acquisition transforms Danajamin into a wholly-owned subsidiary of BPMB, in line with the Government's aim of improving the development finance sector to better support businesses, and national development as a whole.

Rated **AAA**

by both RAM Rating Services Bhd (RAM) and Malaysia Rating Corporation (MARC).

RESULTS IN MIND

As a development bank, the role we play in supporting the national agenda and promoting economic growth cannot be understated. It is, therefore, crucial to ensure we are well-functioning to secure the sustainability of the organisation. Our achievements and results this year indicate we have the appropriate checks and balances in place to work towards fulfilling the national mandate.



BPMB is helping to revive the Malaysian economy, especially after the pandemic, to aid recovery and achieve economic prosperity. We acknowledge the power of co-investments in supporting Malaysia's MSMEs, and building strategic projects to meet the Government's medium-term aspirations. We are grateful for the series of partnerships that were formed and held on trust in the year 2021. ”

POORANI RAMACHANDRAN

Chief Financial Officer

OUR RESULTS

BPMB Allocates Up to **RM19.3b** Gross portfolio size

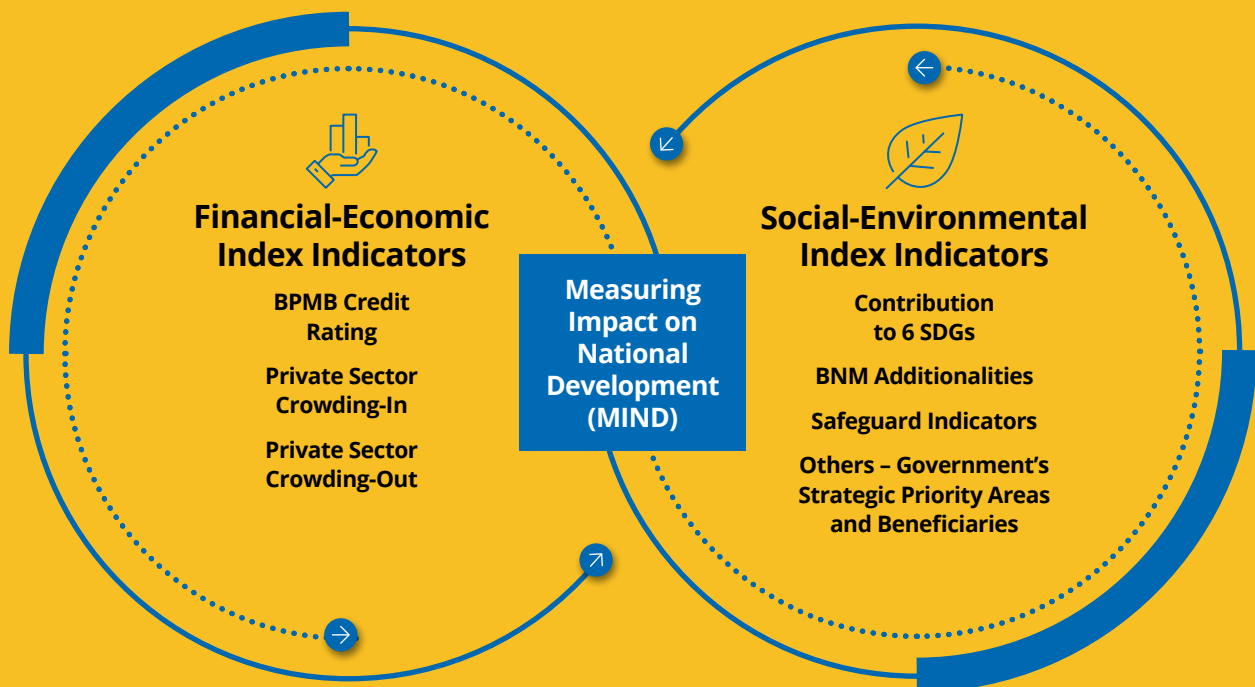
Our financial portfolio size continues to grow at a healthy rate, recording consecutive years of growth with a 4.27% increase in 2021.

RM26.1b Total assets

Our total assets increased by 11.3% supported by higher financing portfolio and consolidation of newly acquired subsidiary, Danajamin's assets.

WITH THE NATION IN MIND

MIND (Measuring Impact on National Development)



Under the MIND Impact Assessment Framework, transactions are assessed, using a set of 35 indicators capturing financial efficiency, as well as social and environmental information, and subsequently, plotting them into priority quadrants based on their scores. To-date, 95 projects as at 31 March 2022 have been evaluated using the MIND Impact Assessment Framework.

2020

Our progress and plans

- MIND Impact Assessment Framework was launched and implemented
- Awareness sessions were organised across internal business functions to embed understanding of the MIND Impact Assessment Framework

BPMB's Impact Assessment Framework, which was jointly developed with the World Bank Group, under Measuring Impact on National Development (MIND), aims to enhance project evaluation from a credit-centric assessment, to a holistic end-to-end assessment. The concept includes reviewing the environmental, social and economic impact of each transaction, to be aligned with the 12th Malaysia Plan (12MP) and Sustainable Development Goals. Since the launch, MIND has evolved and harnessed these concepts to BPMB's internal operations and community empowerment (MIND Two Pillars). The success of the Impact Assessment Framework has also led to the development of the Sustainable Sukuk Framework, and the inclusion of SDG 12 as an impact indicator.

Delivering positive impact for...

The Economy



Approved

9 projects

in 2021



Supported

7 projects

identified as national priorities



Covered

6 projects

located in underserved and unserved areas

The Environment



Expected to generate

2,644,004 MWh

of total renewable and clean energy per year



Expected to convert

scheduled waste to energy up to

100MT

per day

The Social



Expected to create

4,836 jobs

during construction and post-completion of project



Expected to benefit

1,079,984

beneficiaries per day



Expected to build

75 units

of affordable homes/workers' quarters



Expected to provide

enhanced access to transportation services for

300,000 people

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

2021

- Developed Sustainable Development Sukuk Framework anchored by MIND SDGs
- Expansion of MIND application in the Bank's activities to cover Internal Operation (Building Management, Health & Wellbeing) and Community Empowerment (Zakat, CSR)
- Launched MIND Impact Assessment Framework externally to the public

2022

- Focus on enhancing MIND Impact Assessment Framework and align with the latest 12MP, to ensure that the objective of MIND meets its intended purpose of developing the nation

GROUP AT A GLANCE

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

PURPOSE

Developing a Sustainable and Inclusive Malaysia



VISION



Malaysia's leading developmental partner



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: Group Chief Executive Officer's Statement pages 16 to 19



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.



STRATEGIC THRUSTS



1

Embracing Paradigm Shift

2

Supporting Government's Strategic Priority Areas

3

Adhering to Islamic Principles

Our value-based strategies and enablers

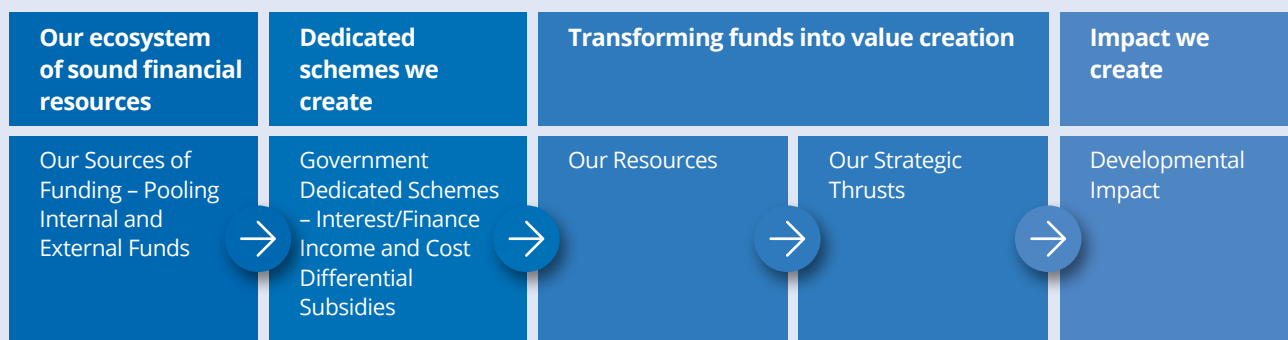
The three strategic thrusts define the direction the organisation is moving towards. To enable the staff to achieve the objectives, we enhanced the processes and strengthened capacity through targeted training.



See more: Our Strategic Transformation Plan pages 26 to 27

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 DIFFERENTIATING FACTORS ➤ GOVERNANCE | CULTURE | COMMITMENT TO SUSTAINABILITY

See more: Our Value Creating Business Model
pages 24 to 25

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
page 70

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 50 to 63

Creating meaningful impact

We remain financially resilient in the face of uncertainty, as our strong balance sheet and disciplined approach to asset management allow us to smoothly navigate shifting macroeconomic conditions.

Total Assets

26,128
RM MIL (FY2021)
23,476
RM MIL (FY2020)

Return on Assets

FY2021: **0.71%**
FY2020: **0.44%**

See more: Financial Performance
pages 32 to 35

Approved Financing to Geographically Underserved Areas

FY2021: **33.33%**
FY2020: **19.55%**

See more: Non-Financial Performance
pages 36 to 37

Private Investment Crowd-In

FY2021: **1.50** TIMES
FY2020: **3.38** TIMES

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

CHAIRMAN'S STATEMENT



As we progress further in 2022, my focus will remain on the Bank's key strategic priorities, which include giving form and momentum to the new BPMB Group and moving forward towards the future DFI that Malaysia needs. ”

TAN SRI MOHAMED NAZIR ABDUL RAZAK
Chairman



Dear Stakeholders,

On behalf of the Board of Directors (the Board), I am pleased to present to you BPMB's third Annual Integrated Report, for the financial year ended 31 December 2021 (FY2021).

Before I proceed, I must record BPMB's appreciation to Arshad Mohamed Ismail who served for three years as President/ Group Chief Executive Officer. He joined BPMB at a time when the Bank was facing an intense period of volatility and uncertainty, and his calm and steady navigation provided the balance we needed to stabilise the organisation. Then, his stewardship during the COVID-19 pandemic was reassuring; staff and customers continued to be engaged with care and compassion enabling the Bank to emerge largely unscathed and positioned for growth.

Do join me in welcoming Roni Lihawa Abdul Wahab as the new Group Chief Executive Officer. He takes on the task of guiding BPMB to new heights. I am confident that his impressive track record at Khazanah Nasional Berhad as well as in banking and the corporate sector will provide the necessary diversity of experience that will serve the Group well as we forge ahead.

RESURGENCE & GROWTH

Over the past five decades, and as one of Malaysia's first Development Financial Institutions (DFIs), BPMB has evolved and broadened its growth beyond serving the country's early developmental needs to becoming a driver for infrastructure projects and key sectors, as well as a catalyst for the new economy. BPMB constantly re-engineers its operations and revisits

its strategies to remain an impact-driven organisation that is aligned with the Government's policies and priorities.

Our solid foundations have positioned us to be the anchor for the Government's plan to carry out a consolidation exercise to create a larger and more effective DFI to support the nation's economy and businesses. In 2021, we successfully merged with Danajamin Nasional Berhad (Danajamin), the DFI set up in 2009 to facilitate companies with viable businesses to access the bond market. Currently a wholly-owned subsidiary, we anticipate completely amalgamating its business into BPMB by the end of 2022. Meanwhile, on 7th February 2022 we announced the new combined leadership team for the enlarged BPMB Group to ensure that we maximise synergies from the merger as soon as possible.

As someone with considerable experience in bank mergers, I speak with some authority when I say that the BPMB-Danajamin merger went quickly and smoothly to the credit of management and staff from both sides. We can therefore look forward with confidence to undertaking further mergers if that is the wish of the Government.

During the year, BPMB continued to perform its various roles in support of the Government. We provided funding schemes to support national development including the extension of the Industry Digitalisation Transformation Scheme to stimulate digitalisation initiatives, and the introduction of a new scheme – Rehabilitation and Support through Equity (RESET) as part of our Budget 2022 initiatives to help companies facing gearing or leverage problems. We also continued to avail our financing to other key sectors through the Maritime & Logistics Scheme, Tourism Infrastructure Scheme and Public Transport Scheme.

We made significant progress in many other areas as well. We trail blazed with the MIND Impact Assessment Framework to align our financing activities and developmental mandate. This is crucial to better govern our lending decisions, to make sure they are consistent with our development

Our solid foundations have positioned us to be the anchor for the Government's plan to carry out a consolidation exercise to create a larger and more effective DFI to support the nation's economy and businesses.



▶ We continued to avail our financing to other key sectors through the Maritime & Logistics Scheme, Tourism Infrastructure Scheme and Public Transport Scheme.

mandate and deliver broader socio-economic impact. We pushed forward on the sustainability agenda with the issuance of our inaugural Sustainable Development Sukuk. We forged partnerships with strategic collaborators such as the Malaysia Digital Economy Corporation (MDEC) to support the adoption of digitalisation efforts. And we improved the regulators and other stakeholders' overall perception of the Bank.

CHAIRMAN'S STATEMENT

WHEN RESILIENCE IS KEY TO RECOVERY

As we move forward to 2022, we cannot help but be concerned about the impact of the on-going conflict between Ukraine and Russia on the global economy that comes right after a debilitating 2-year pandemic. The cost of both combatting the pandemic and the supportive monetary and fiscal policies will now be compounded by higher military expenditures, supply chain disruptions and inflationary pressures in many countries.

We are heartened by Bank Negara Malaysia's (BNM) projection that Malaysia's economy could grow between 5.3% and 6.3% in 2022, depending on the length of the conflict, the extent of the countermeasures, and the resulting disruptions to global supply chains. This economic rebound may, however, be short-lived if global demand dissipates.

As a DFI, BPMB must stand ready to provide counter-cyclical lending support for businesses and also channel capital to economic sectors that have most impact on the overall economy.

MINDFUL OF VALUES THAT SHAPE OUR REPUTATION

The successes we have achieved in the past, the challenges we have overcome and the future we need to manage as we move forward, are in the capable hands of our people. BPMB has been fortunate in growing an impact-driven culture, the bedrock upon which BPMB has built its recent track record in good corporate governance.

We continue to inculcate strong leadership capabilities through focused training that has yielded excellent results evident in the performance of our staff. Total Staff Training Expenditure of RM2.5 million was expended to upskill 459 staff who

underwent some 18,000 hours of training. The partnership with DDI Malaysia (DDI-Asia/Pacific International, Ltd.) to enhance leadership skills has been particularly productive that BPMB has decided to expand the values of coaching beyond individual executives to the entire organisation. We will continue to raise staff professionalism through certification of skills as well as strengthen digital capabilities. The ripple-effect that is spreading through the organisation is making BPMB a stronger, more resilient and intensely outcome-driven organisation.

JOINING THE GLOBAL RESISTANCE AGAINST CLIMATE CHANGE

As is the nature of our business which is anchored in supporting Government progress, we have taken note of the drastic effects of constant flooding that is impacting the recovery of the economy. The Malaysian experience mirrors a growing global focus on the effects of global warming, which resulted in widespread damage across continents. The surge in adverse weather conditions, as we have witnessed in recent times, has impacted livelihoods and businesses in Malaysia.

We take note of Government ambitions to achieve net zero carbon emissions by 2050, as announced through the 12th Malaysia Plan. Legislation on climate change is being formulated to increase coordination and enhance effectiveness of climate change actions, through the intended Climate Change Act in 2024. I would like to point out the incorporation of climate-related indicators within the MIND Impact Assessment Framework was made in 2019 during our collaboration with the World Bank Group.

The inclusion of Climate Change into our MIND Impact Assessment Framework reinforces BPMB's strong commitment towards sustainable development and building climate resilience. BPMB has established a Climate Change Risk Assessment and Climate Change Risks Framework that complement BNM's Climate Change and Principle Based Taxonomy (CCPT). The implementation

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



BPMB has established a Climate Change Risk Assessment and Climate Change Risks Framework that complement BNM's Climate Change and Principle Based Taxonomy (CCPT).

of the Climate Change Risk Assessment (CCRA) has commenced in the respective Business Units.

Moving forward, the steps to be undertaken include the classification of the Bank's customers according to the BNM's CCPT and embedding CCRA as part of the credit assessment process. The second half of 2022 will see the finalisation of the gap analysis exercise as outlined in BNM's Exposure Draft on Climate Risk Management and Scenario Analysis.

RECHARGING GOVERNANCE

In this crucial period of economic recovery and resurgence, BPMB, as a DFI, stands as a pillar of support to the Government. Hence, our commitment to upholding to the highest standards of governance that require constant review of our governance structures. The enhancements that result from this exercise contribute to keep the organisation resilient and responsive.

BPMB complies with the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) as well as other

relevant laws and regulations in promoting integrity, transparency and good governance. BPMB has put in place an Anti-Bribery and Corruption (ABC) policy which includes procedures, risk assessments, due diligence on third parties and business associates and employees training programme.

REINFORCING CHANGE TO DRIVE GROWTH

DFIs are an integral component of any financial system as their role is to support national economic development by availing capital to borrowers neglected by private banks, providing subsidised capital for priority sectors and crowding-in private capital to key segments of the economy. We, at BPMB Group, are fully supportive of the Government's efforts and will work together with all stakeholders to achieve the goal of building a stronger DFI sector in the economy.

These, and so many other accomplishments we have achieved in response to new and evolving

global developments. I would like to take a moment to extend my sincerest gratitude and appreciation to our strategic partners – Ministry of Finance, Bank Negara Malaysia – members of the Board of Directors as well as the Senior Leadership and of course, to our most valuable assets – our valued employees, the backbone to the many successes we have achieved today. I take pride in knowing that the combined strength of our people is what makes a successful organisation. At BPMB Group, the sense of greater energy and teamwork on the back of the commitment and dedication by everyone, gives me cause for optimism for many greater things ahead.

As we progress further in 2022, my focus will remain on our key strategic priorities, which include giving form and momentum to the new BPMB Group and moving forward towards the future DFI that Malaysia needs.

NAZIR RAZAK
Chairman

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT



BPMB will continue to play a leading role in helping the Government bridge the financing gaps for the national sustainability agenda. We have a counter cyclical role to play to ensure the market is able to participate in the economic upturn and put Malaysia back on the road to recovery. ”

RONI L. ABDULWAHAB
Group Chief Executive Officer

Dear Stakeholders,

I am pleased to present the overview of Bank Pembangunan Malaysia Berhad's (BPMB's) performance as part of this Annual Integrated Report 2021 (AIR2021). This marks our third integrated report since the new format was introduced in 2019, encompassing both financial and development impact considerations, which collectively influence how BPMB creates and sustains value for its stakeholders.

Globally, 2021 saw an upturn as countries inched further into a recovery phase post the COVID-19 pandemic.

For Malaysia, despite temporary setbacks, the economy had rebounded with the Department of Statistics of Malaysia recording a recovery momentum of 3.1 per cent in 2021

compared to a decline of 5.6 per cent in 2020. Furthermore, the World Bank Group expects the Malaysian economy to expand to 5.5 per cent in FY2022, driven mainly by a strong rebound in consumption.

With this optimistic outlook, BPMB looks poised to continue playing our role as a partner and enabler in the nation's development.

The Bank is in the midst of finalising its integration with Danajamin – an amalgamation process that may have created uncertainty and anxiety in many, not least the dedicated people within these two entities. Thanks to the guidance provided by the Board, the support of the senior leadership as well as unwavering professionalism shown by the dedicated staff, the union looks set to be completed very soon.

INTRODUCTION

The resulting entity will not only be larger and stronger, but will provide a more comprehensive, complementary and synergistic suite of financial and advisory solutions that will serve the needs of a broader segment of clients, benefiting all stakeholders. The sharing of resources and integration of operations will lay the foundation for a stronger, more aligned organisation.

I'd like to take this opportunity to thank the Chairman, Tan Sri Mohamed Nazir Abdul Razak as well as the Board, for entrusting me with the responsibility to take the Bank forward in these exciting times.

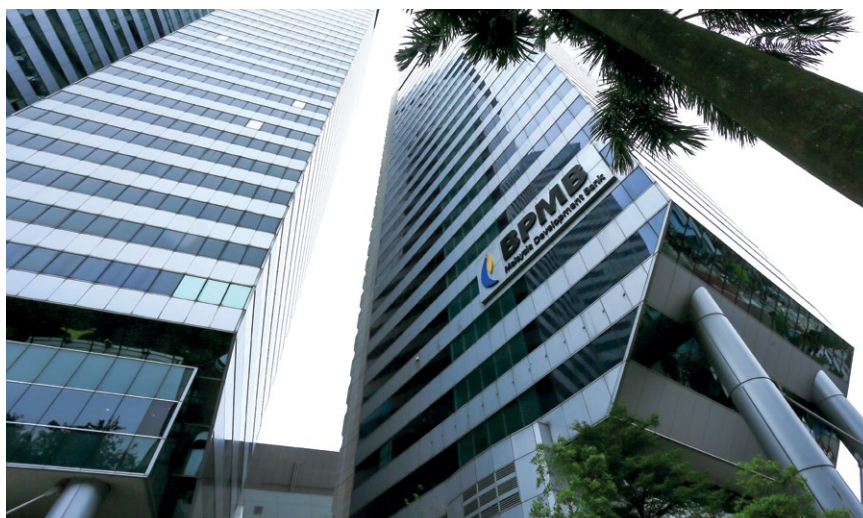
Before I continue with presenting the Bank's FY2021 performance, I believe a revisit of BPMB's MIND Impact Assessment Framework is essential, for context.

Working with the World Bank Group, BPMB in 2019 created this holistic end-to-end assessment tool covering the environmental, social and economic impact of every transaction with its clients. Officially launched in November 2021, MIND provided the Bank with a means to gauge the impact of the business activities of our customers, on national development.

From the creation of jobs, affordable homes and educational opportunities to the generation of clean, renewable energy, the MIND Impact Assessment Framework allows for a balanced approach to evaluating the potential and risks of any opportunity, ensuring that the projects we support generate sustainable outcomes in line with the aspirations of the Government.

Since BPMB's inception, we have strived to create meaningful and sustainable impact for Malaysia. As we continue to mature as an organisation, it is important to remind ourselves why we started on this journey: to help build a progressive, inclusive and sustainable future for our stakeholders.

I am pleased to report on BPMB's performance in FY2021, which is presented using two perspectives – financial and non-financial – to provide our stakeholders a clearer and holistic overview of our financial management.



▶ We have strived to create meaningful and sustainable impact for Malaysia.

The resulting entity will not only be larger and stronger, but will provide a more comprehensive, complementary and synergistic suite of financial and advisory solutions that will serve the needs of a broader segment of clients, benefiting all stakeholders.

FINANCIAL PERFORMANCE

BPMB Group's strong fundamentals were clearly evident with its net profit of RM107.1 million for FY2020, despite the subdued economy attributed mainly to the adverse effects of COVID-19. In FY2021 the progressive trend strengthened with an increase of 65% in net profit to RM176.4 million.

The stronger showing of FY2021 was mainly due to lower allowances for impairment losses on our loans, financing and advances, which had decreased the total allowances for FY2020 to almost half.

We saw a similar trend with the Bank recording an increase in net profit to

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

RM145.7 million, which represented a 45% growth from FY2020. As a result, Earnings per Share also increased to 5.62 sen in 2021 from 3.48 sen in 2020.

I am also pleased to report that the Bank achieved a 4.27% growth in our financing portfolio for the year, increasing our portfolio size to RM19.3 billion. This can mainly be attributed to higher disbursements from existing and new financings.

In FY2021, the Group's total liabilities rose to RM17.4 billion, an 11.89% increase, compared to last year, mainly contributed by higher deposits from customers and other financial institutions, as well as issuances of new Sukuk to support the acquisition of Danajamin and the growth in our financing portfolio. Additionally, the Group's Gross Impaired Financing ratio (GIF) has shown improvement at 10.53% in 2021, compared to 11.32% in 2020. This positive trend can be linked to a larger financing base as a result of the increase in our financing portfolio, supported by lower impaired financing.

The Group's Cost to Income ratio (CIR), excluding a one-off borrowing redemption cost, has increased to 15.96% from 9.44%, mainly due

to lower net income as a result of lower net compensation from the Infrastructure Support Fund, as well as unrealised revaluation loss recognised on financial investments. The higher CIR was also affected by the growing overhead expenses from general administrative and staff costs. However, the Group's CIR remains low compared to our peers.

NON-FINANCIAL PERFORMANCE

The Bank's Non-Financial Performance Framework provides a broader picture of how BPMB Group impacts the nation's socio-economic development and how it aligns with our mandate as a DFI. We have divided the framework into two components – Developmental Impact, and Social Cost and Benefit – which act as indicators to guide our future financial performance.

We have placed a high priority on financing underserved economic sectors and geographic areas. I take great pride in reporting that we have exceeded our targets on both. We achieved 83.33%, substantially beyond our set target of 10% for approved financing to underserved economic sectors while for approved financing

to underserved geographic areas, we achieved 33.33% over the set target of 20%.

The Bank approved four applications for green financing with a total financing size of RM474.2 million, and achieved a crowd-in private investment ratio of 1.50 times, participating in one syndicated financing deal.

The second component of the Bank's Non-Financial Performance 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. A lower NSC means a lower dependency on Government assistance to deliver impact to target sectors.

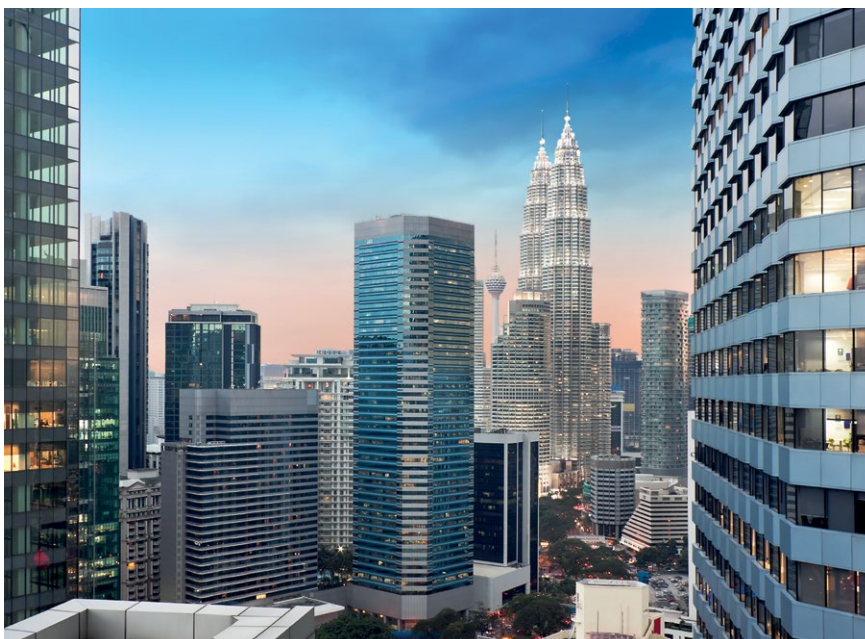
By serving mainly targeted sectors, the Bank was able to continue maintaining an Output Index of less than 1 at 0.56, contributing to lower NSC for the year as a result of lower dependency on Government assistance and higher Profit Before Tax generated during the year.

MIND IMPACT ASSESSMENT FRAMEWORK PERFORMANCE

The MIND Impact Assessment Framework is fundamental in guiding our decisions on the value to be derived from projects considered.

Since the MIND Impact Assessment Framework was introduced, 95 projects have been evaluated as of 31 March 2022. The transactions were assessed using a set of 35 indicators capturing financial efficiency, as well as social and environmental information, and subsequently, plotting them into priority quadrants based on their scores.

In 2021 alone, we approved nine projects, of which seven were identified as national priorities and six located in underserved and unserved areas. Under the social aspect, we are looking at the creation 4,836 jobs in construction projects that will benefit over a million beneficiaries. We are expecting to build 75 units of affordable homes/workers' quarters and also anticipate provision of transportation services to 300,000 people. Under the environment aspect, we are looking to generate 2,644,004 MWh



▶ We will continue to support the Government in facilitating financing to businesses that would otherwise be unable to secure commercial financing.

of total renewable and clean energy yearly, and we expect to convert scheduled waste to energy at up to 100 MT per day.

COVID-19 AFTERMATH

The after-effects of COVID-19, now reduced to an endemic stage, are still being felt across all sectors. We continue to step up our contribution to entities severely impacted by the pandemic and maintain our support of academic programmes that we have kick-started, including:

- Provision of RM950,000 in Education Financial Assistance across three local universities by providing students with stipend allowance along with Back to School Programmes
- Provision of RM500,000 worth of assistance to frontliners in COVID-19 Medical Equipment & PPE
- Provision of RM148,500 to frontliners in COVID-19 Cash and Meals Supply
- Provision of groceries to over 1,300 families impacted by the pandemic located in the Klang Valley and Kedah

We will also continue attending to the needs of our staff affected by the protracted period of uncertainty brought on by COVID-19. BPMB Prihatin (BPMB Cares) is an initiative designed to actively respond to staff needs and goes beyond monetary assistance. Through the Naluri Wellness programme, a number of remote therapy sessions and a psychologist hotline provided much-needed relief. In responding to our staff financial needs, we have devised Financial Assistance Schemes where a total of RM114,100 has been disbursed.

KEY PRIORITIES MOVING FORWARD

What comes immediately to mind is the follow-through from the BPMB and Danajamin merger. We are creating a more defined impact assessment framework alongside traditional financial performance measures, as well as a more robust governance framework that leverages new opportunities to expand our financial offerings.

We are also developing a more unified talent management framework that

affords a clear path to improving staff productivity via synergies in support functions as well as front-end customer interface.

We have already started extending our client focus and coverage strategy to support Malaysia's strategic development priorities, as defined in the 12th Malaysia Plan. We are also taking a broader stance, expanding our portfolio beyond direct financing by providing more creative financing solutions to support companies throughout their lifecycle.

As we prepare to play a larger role in the national financial ecosystem, we will reinforce the understanding of the principles of the MIND Impact Assessment Framework, align our core values and purpose and inculcate a strong risk culture among all strata of our group staffing.

On 29 October 2021, the Government tabled a RM332.1 billion Budget, the largest ever tabled in our history, to strengthen economic recovery, build resilience and drive reforms in 2022. It has fuelled market optimism, and I commend the Government's balanced approach to protecting lives and livelihoods, rebuilding national resilience and catalysing socio-economic reforms.

We will continue to support the Government in facilitating financing to businesses that would otherwise be unable to secure commercial financing. The businesses we are targeting operate in strategic and high-priority industries as identified in the 12th Malaysia Plan.

BPMB will continue to provide assistance through our schemes – the Industry Digitalisation Transformation Scheme, Sustainable Development Financing Scheme, Maritime and Logistics Scheme, Tourism Infrastructure Scheme, Public Transport Scheme and National Development Scheme until December 2023.

The Bank has allocated RM500 million for the Rehabilitation and Support through Equity (RESET) scheme, established to support companies facing gearing or leverage problems. We strongly feel that equity participation

will help to catalyse the recovery and growth of the economy.

As announced in Budget 2022, BPMB will be providing financial assistance under a special rehabilitation scheme which is among several incentives by the Government to revive the tourism sector, among the worst affected by the COVID-19 pandemic. As the third largest contributor to Malaysia's Gross Domestic Product (GDP), this sector's recovery is a priority.

ON THE HORIZON

The future is exciting as new developments are reshaping the financial sector and BPMB is expected to play a defining role in the Government's developmental agenda as set out in the 12th Malaysia Plan.

BPMB will continue to play a leading role in helping the Government bridge the financing gaps for the national sustainability agenda. We have a counter-cyclical role to play to ensure the market is able to participate in the economic upturn and put Malaysia back on the road to recovery.

"We Deliver Impact Capital for National Development" – that is our newly redefined purpose, and a constant 'reMINDER' of what we do to help realise the Government's aspirations of creating sustainable social, environmental and economic impact to the nation and the rakyat.

I would like to extend my warmest gratitude to the staff of BPMB for their commitment, professionalism, and dedication to fulfilling their responsibilities. It is primarily the calibre of the staff that determines how efficiently an organisation performs. Looking at the track record of the Bank and its achievements, I am fully confident that working as a team, we will move the BPMB Group – and the nation itself – to greater heights.

RONI L. ABDULWAHAB
Group Chief Executive Officer

OUR OPERATING ENVIRONMENT AND OUTLOOK

BPMB was at the forefront of supporting the Government agenda in enabling a smooth economic recovery in sectors worst hit by the pandemic and flooding in December. Going forward, we remain committed to supporting sustainable recovery, as well as nurturing new growth sectors and pursuing regionally-balanced growth for the country.

Sector	Impact
Economic - While the global economy rebounded at its fastest since 1976 with 5.5% in 2021 (2020: -3.4%), the performance was uneven across countries. The varying policy response to the pandemic, the size of policy support and access to vaccines, saw many developing countries, including Malaysia, lag behind. Malaysia's real growth at 3.1% in 2021, was the slowest expansion since 2010, when the global economy was recovering from the Global Financial crisis. - The resurgence of COVID-19 cases, and the ensuing long period of lockdowns, had disrupted the widely anticipated recovery in the second half of 2021. The floods and other related natural disasters in December, as well as the opening up of borders that saw a jump in outbound travel by residents, had led to a very modest pent-up demand despite the low base and the reopening of the economy. The impending end to financial assistance for the households added to the cautious behaviour among consumers. - The worst hit sector was construction, as it was classified as non-essential, and restarting work was challenged by the shortage of labour. Having said that, all sectors continued to record below the pre-pandemic levels in absolute values, except for the manufacturing sector.	- We were exposed to sectors that were among the worst affected. However, the operating conditions improved gradually after the lockdowns were lifted, and most of our customers managed to rebound from their lows with our funds assistance and the repayment moratorium. - The pandemic, and the frequent incidences of natural disasters, had pushed sustainability and the environment, social and governance (ESG) commitments by companies to the forefront. At the same time, the new normal led to further acceleration of digitalisation. - There were a few sectors that thrived during the pandemic e.g. agriculture, food processing, rubber products, ICT, finance and insurance, among others, benefitting from the new normal. Thus, the pandemic caused inequality among households, as well as across states, to widen. - Economic development planning henceforth, requires a more balanced and far-sighted focus. While there is a need to continue to ensure those worst-hit sectors recover and normalise, there is also an urgency to ensure our industries keep pace with the global technological advancement, with sustainability a business imperative by making a greater push towards the ESG agenda.
Digitalisation - With the pandemic yet to show signs of evolving into an endemic, the need for technology to connect supply and demand of goods, as well as services, has further accelerated. - Digitalisation was given greater focus under Budget 2021, as it is critical to ensure that most parts of the economy remained operational throughout the pandemic period, and to help drive the much-needed digital transformation of the small and medium-sized enterprises (SMEs) to catch up with the global industrial revolution. - Under Budget 2021, RM1 billion was allocated towards digital transformation schemes, with an additional fund of RM150 million for digitalisation and automation grants for SMEs. In addition, there is also continued commitment to introduce digital technology in delivery of public sector services to increase their speed and ease of use. - According to the Malaysian Communications and Multimedia Commission (MCMC), Malaysia has exceeded its target of achieving 35Mbps average mobile speed at the end of 2021 – a year ahead of schedule as planned under the National Digital Network Plan (JENDELA), introduced in August 2020 to improve 4G connectivity and increase access to fibre broadband.	- The latest available data, compiled by the Department of Statistics, showed the value of e-commerce revenue totalled RM801.2 billion for the first 9 months of 2021, representing a YoY increase of 23.1%. This contributed 11.5% to the national GDP. - Nonetheless, that remained way below the global average of 30%, as it was mainly driven by businesses in urban areas with high internet penetration rates. The digital divide between rich and poor, and between rural and urban, continued to remain wide. The percentage of broadband subscriptions among households remained low at income groups of 49.3% for B40, 90.7% for M40 and 99.7% for T20, respectively. Industries outside selected industrial zones do not have access to gigabit speed broadband connectivity, due to the lack of digital infrastructure. - Having said that, even with the right infrastructure, the end-to-end digital services in the Government sector that are necessary for efficient public service delivery, remained low at only 46.8% in 2020, indicating the need to accelerate digitalisation within the public sector services.



Embracing
Paradigm Shift



Supporting Government's
Strategic Priority Areas



Adhering to
Islamic Principles

Opportunity	Risk	Our Strategic Response
The 12th Malaysia Plan (12MP), unveiled in August 2021, put emphasis on transforming the country's development trajectory to achieve prosperous, inclusive and sustainable growth. The path to achieve those goals will be guided by the 3 key themes of the plan, i.e. 1) resetting the economy (focusing on transforming industries towards higher value chain); 2) strengthening security, well-being and inclusivity; and 3) advancing sustainability (focusing on green growth, enhancing energy sustainability and transforming the water sector). BPMB can leverage on its role as a Development Financial Institution (DFI), supporting the Federal Government's agenda to boost inclusivity by focusing on the development of the less developed states identified by the Plan namely, Sabah, Sarawak, Kedah, Perlis, Kelantan and Terengganu. On top of that, BPMB can step up its role in bridging the funding gap in investments needed to drive the sustainability agenda.	The pandemic path remains unknown. Although the Government had stated that another lockdown is unlikely and will fully open the country borders, the cautionary behaviour among businesses and consumers alike may remain prevalent and dampen domestic demand. At the same time, the unwinding of policy relief measures across the globe, led by the US, against heightened geopolitical risks, and China's slowdown may cast unfavourable operating conditions on the external front.	• BPMB acknowledges the tougher challenges for the Federal Government in managing the development objectives going forward. As such, we had played an enhanced role in supporting economic recovery throughout 2021. • Our Industry Digitalisation Transformation Scheme to stimulate digitalisation initiatives, was extended by the Federal Government with availability of funds until 31 December 2023, under Budget 2021, along with other funding schemes, worth RM5.6 billion to facilitate and support businesses through the pandemic period. • As a DFI, we acknowledge that there is a need for BPMB to play an enhanced role in supporting the Government towards meeting its medium-term growth aspirations. BPMB will be allocating up to RM100 million to the Malaysia Co-investment Fund, as introduced under Budget 2022, to provide financing support at low rates to Micro, Small and Medium Enterprises (MSMEs). • On top of that, BPMB will also be providing a new scheme i.e. Rehabilitation and Support through Equity (RESET), which is also under Budget 2022 initiatives, to help companies facing gearing or leverage problems.
The 12MP is focusing on boosting digitalisation, a crucial step towards adopting advanced technology to build a high technology-based economy. The National E-commerce Strategic Roadmap 2.0, that covers the period 2021-2025, will be implemented to drive e-commerce activities. To accelerate digitalisation across industries, the 12MP and Budget 2022 are focusing on digitalising the micro SMEs (MSME).	For MSMEs, investing in new capital expenditure will create significant financial burdens, especially firms that are still recuperating or re-starting their businesses following the re-opening of the economy last quarter. Most MSMEs, and even some SMEs, do not have access to, or qualify for, formal credit.	• The Bank's Industry Digitalisation Transformation Scheme, introduced in 2019, will be extended until December 2023, as part of the measures under Budget 2021, to boost digitalisation activities among the SMEs. • The Bank has formed a strategic collaboration with Malaysia Digital Economy Corporation (MDEC), to support the development and adoption of digitalisation in businesses, to catalyse the country's economic recovery. The collaboration kicked off with MDEC's Digital Agtech Programme – targeted at the farming community, with funding support from BPMB.

OUR OPERATING ENVIRONMENT AND OUTLOOK

Sector	Impact
Sustainability - According to the 12MP report, Malaysia had underperformed on key targets, critical to the Sustainable Development Goals (SDGs), as set under the 11th Malaysian Plan (11MP), namely on conserving natural resources, combatting climate change and reducing disaster risks. - Since 1971, the Government has consistently allocated funds on flood mitigation projects. In the wake of the 2014 – 2015 floods, the funds allocated increased significantly under the 11MP. However, according to the Malaysian Water Industry Status & Outlook Report 2020 – 2021, only 33.6% of the total allocation or RM14.5 billion worth of projects planned, were completed by the end of the 11MP. - Malaysia had submitted its updated Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC) in August 2020. The Government pledged an unconditional target of 45% reduction in its economy-wide GHG emissions intensity (against GDP) by 2030 (previously: 35% unconditionally and 10% conditionally), and a net zero target by 2050. With this pledge, Malaysia signed the Glasgow Climate Pact last November, and is set to implement the Paris Agreement guided actions, over the next 9 years, in hopes to achieve its targets by 2030.	- The impact from the worsening environmental degradation, from rapid economic growth and under investment in natural resource management over the years, played out when the floods – the worst in many years – hit many states and key urban areas in December 2021 due to the extreme weather brought about by climate change. - According to the Department of Mineral and Geosciences, a total of 121 landslide incidents were reported nationwide during the north-east monsoon of November – December 2021. - Storms and typhoons have become more intense and unpredictable. The Intergovernmental Panel on Climate Change (IPCC) projected that heavy rainfall will become more intense and frequent across Asia in the coming decades.
Inclusivity - The pandemic had caused setbacks to the initiatives to reduce income inequalities, and other inclusive development agenda, as income disparity widened and access to education was constrained by the lockdowns, and limited by internet connectivity issues. - The agenda to promote greater inclusivity was among the key initiatives under Budget 2021. Among the most prominent ones were initiatives to support the Bumiputera empowerment agenda, the JENDELA plan to provide better connectivity and quality of coverage throughout Malaysia, the Tabung CERDIK pilot initiative to provide digital connectivity and capabilities to students from lower income families, enhancing rural infrastructure and mobile banking services in East Malaysia. - The Government had also introduced various relief measures and handouts – most of which were extensions of the measures first introduced in 2020, to help the low-income groups, as well as those who had lost their jobs.	- The latest data on income inequality and incidence of multi-dimensional poverty from the 2019 Multi-dimensional Poverty Index (MPI), indicate we are already far below the targets to be achieved by 2020, as set under the 11MP. The same trend was seen for targets under the initiatives to enhance the opportunities for the Bumiputera Economic Community (BEC), to increase wealth ownership and address the needs of specific target groups. The resurgence of the COVID-19 cases and the resultant lockdowns, may have caused some of these key indicators to worsen in 2020 – 2021. - As highlighted in the digitalisation section, the digital divide between rich and poor, and between rural and urban, continued to remain wide. The cheapest and lowest broadband package, at RM38 per month, remains unattainable for the low-income households. - The 12MP report stated that socio-economic inequalities, in terms of income and wealth distribution, remain a challenge. At the end of 11MP i.e., the year 2020, these issues continued to be the key challenges when addressing the inclusivity development agenda. Such issues include widening disparities in low income groups, inequitable Bumiputera socio-economic outcomes, lagging socio-economic development among Orang Asli, and social deprivation of specific target groups comprising children, youth, women, older persons and Persons with Disabilities (PWDs).



Embracing
Paradigm Shift



Supporting Government's
Strategic Priority Areas



Adhering to
Islamic Principles

Opportunity	Risk	Our Strategic Response
- Many critical climate risk adaptation and mitigation initiatives, particularly in the water sector, require a lot of funding, but are constrained by public finances. This provides opportunity for the Bank to bridge the funding gap. - We expect that the required investment for flood mitigation and management projects, may exceed the amount allocated in the 12MP. The Ministry of Environment and Water is now looking for alternative financial mechanisms to outsource funding, such as private financing schemes derived from various funding agencies (both locally and internationally). As such, the PPP 3.0 that may be announced by the Prime Minister by 2022, may see more water infrastructure projects opened to the private sector. - Under the 12MP, the Government is raising the renewable energy mix target to 31% by 2025 from the 20% target set in 2018. The New Energy Policy released this year, outlines all the initiatives for the country to achieve that target. The Government is also encouraging private sector investment to develop hydrogen-powered vehicles, in addition to energy-efficient vehicles and electric vehicles.	Most green infrastructure projects have low bankability, and hence the low private capital flows into such investments. As a DFI, that stands ready to bridge the funding gap, there is the need for the Bank to carefully assess the balance between risk and the impact of such funding on national development.	- BPMB implemented the MIND Impact Assessment Framework, whereby funding projects are assessed with both financial and non-financial impact indicators i.e. social or environmental impact. - As of March 2022, 95 transactions have been evaluated using MIND, whereby 2,644,004 megawatt-hours of total renewable energy will be generated annually. - BPMB had also issued its inaugural 7-year sustainability Sukuk Wakalah on a private placement basis in June 2021, targeted at selected strategic ESG-focused (Environmental, Social and Corporate Governance) accounts. - The Sustainable Development Financing Scheme, that was established in 2019 to support the Government's effort to implement the 17 SDGs, has been extended until 2023.
Under 12MP, the inclusivity agenda is broadened to extend beyond reducing income disparities and improving livelihood. Instead, in a concerted effort to balance regional growth, there is greater focus on the less-developed states to catch up with the developed ones, as well as enhancing socio-economic development in Sabah and Sarawak.	Initiatives involving the low-income groups and Bumiputera agenda are susceptible to political changes. In addition, smart cities and rural areas development, would involve the local Government authorities and State Governments. The procedures, execution processes, and in turn, project timelines, may vary significantly across states where political stability is a critical factor.	As a DFI, our role in promoting inclusivity will be through provision of holistic financing to businesses or projects, as evaluated by our MIND methodology to ensure that those projects will have positive impact on society, or on the economic development of unserved and underserved areas, going beyond the financial viability of projects.

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.

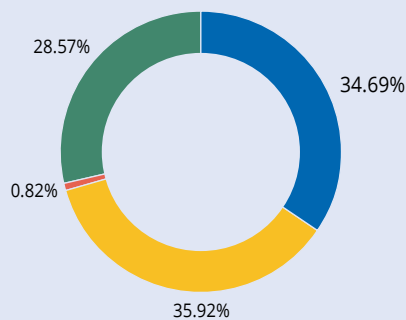
OUR ECOSYSTEM OF SOUND FINANCIAL RESOURCES



DEDICATED SCHEMES WE CREATE

Our Sources of Funding – Pooling Internal and External Funds

Over the years, through capital management excellence, we have nurtured and created an ecosystem of sound financial resources, needed to support specialised schemes for development.



Redeemable Notes/Sukuk
RM8.8 bil

Shareholders Fund
RM8.5 bil

Deposits from Customers and FIs
RM7.0 bil

Long-Term Borrowing
RM0.2 bil

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.



Sustainable Development Financing Scheme (SDFS)
RM2.0 bil



Maritime And Logistic Scheme (MLS)
RM1.5 bil



National Development Scheme (NDS)
RM1.4 bil



Industry Digitalisation Transformation Scheme (IDTS)
RM1.0 bil



Tourism Infrastructure Scheme (TIS)
RM1.0 bil



Public Transport Scheme (PTS)
RM0.1 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

Our Strategic Thrusts

To fulfil our mission of impactful delivery with strategic outcomes, we rally the organisation through three strategic thrusts.



Embracing Paradigm Shift



Supporting Government's Strategic Priority Areas



Adhering to Islamic Principles



See more: Our Strategic Transformation Plan pages 26 to 27



IMPACT WE CREATE

Economy

33.33%

Approved Financing to Geographically Underserved Areas

83.33%

Approved Financing to Underserved Sectors

1.50 times

Crowd-in Private Investment

No impairment recorded

Increase in clients' income (Preservation of Client Income – Due to Relief Measures)

Society

0.56

Output Index

RM75.7 mil

Net Subsidy Cost

12.01%

Subsidy Dependence Index

Environment

RM474.2 mil

Approved Green Financing

2,644,004 MWh

Estimated Total Renewable & Clean Energy Generated Annually From Projects upon Completion

Operational

RM211.3 mil

Profit Before Tax

15.04%

Cost to Income Ratio

1.79%/0.60%

Return on Equity/
Return on Assets

36.14%

Risk Weighted
Capital Ratio

10.49%

Gross Impaired Financing Ratio

Contributing to SDGs



See more: Performance, pages 20 to 37

STAKEHOLDERS BENEFITTING



SOCIAL

BUSINESSES

OUR STRATEGIC TRANSFORMATION PLAN

As part of BPMB's vision to be "Malaysia's Leading Developmental Partner", BPMB plays a key role, both as thought partner and information provider to the Government, in formulating national development policies, implementing these policies and providing subsequent assessment and feedback for further improvement. BPMB's role as a Development Financial Institution (DFI) extends beyond traditional lending to sectors, by aligning our strategies with Government initiatives and global megatrends, simultaneously aiming to achieve sustainable and inclusive growth, consistent with the 2030 Agenda for Sustainable Development, as advocated by the United Nations.

BPMB strives to achieve our vision through our mission of "Impactful Delivery with Strategic Outcomes". This entails a flexible and accommodative business approach in order to be consistently, and constantly aligned with the evolving national agenda. Our new impact assessment framework, named Measuring Impact on National Development (MIND), has been adopted to broaden our horizons and intensify our focus by enabling us to track our developmental impact on the nation.

THREE STRATEGIC THRUSTS SUPPORTING OUR VISION AND MISSION



Embracing Paradigm Shift

- Holistic impact-focused approach anchored on two main elements:
 - Impact to Nation and SDGs; and
 - Impact to Financial Sustainability
- Functioning as a "Policy Bank" to serve as Government's thought partner
- Promoting a success maximisation mindset as opposed to solely focusing on risk mitigation
- Becoming a catalyst for national development and a solutions-driven organisation
- Partnering and learning with reputable and multilateral organisations



Supporting Government's Strategic Priority Areas

- Supporting the development of Malaysia's policies including:
 - Malaysia Plans;
 - National Blueprints; and
 - Shared Prosperity Vision
- Spearheading and advocating the Government's strategic focus
- Serving the unserved and underserved with emphasis on developmental impact
- Promoting ethical banking practices through impact financing aligned with sustainability goals



Adhering to Islamic Principles

- Creating greater socio-economic impact
- Shariah-compliant financing and solutions in line with impact-focusing approach
- Emphasising Islamic tenets (Islam, Iman, Ihsan, and Adab) in our banking practices

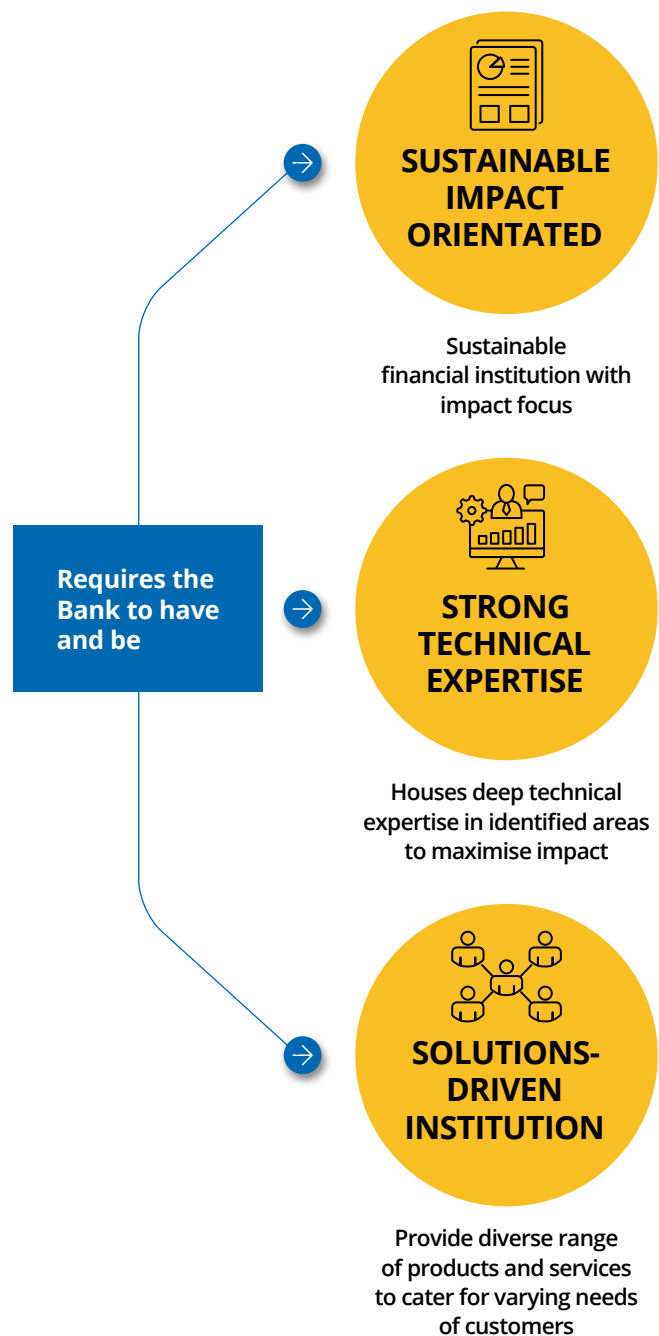
	PROGRESS ACHIEVED IN FY2021	FOCUS AREAS FOR NEXT YEAR	PRINCIPAL RISKS
	- Shared MIND Impact Assessment Framework during "Islamic Financing for Infrastructure in Malaysia" session, organised by the National Committee Islamic Economy & Finance Indonesia, attended by Ministry of Public Works, Indonesia - Launched our MIND Impact Assessment Framework virtually, on 14 October 2021 - BPMB became a member of 30% Club Malaysia - Collaborated with UNITAR in August 2021 to support education via CSR initiatives - Collaborated with MicroLeap (a shariah-compliant Peer-to-Peer (P2P) financing platform) to finance smart farming projects - Collaborated with Malaysia Digital Economy Corporation (MDEC) to catalyse the growth of Malaysia's Digital Economy - Became a CEO Action Network (CAN) Member and participated in CAN – Members' transfer of knowledge and skills that covered different aspects of Sustainability - Launched BPMB's Awareness Programme for ISO 37001:2016 Anti-Bribery Management System (ABMS) Certification on 17 June 2021 and conducted 8 awareness programmes - Obtained SIRIM certification for ISO 37001:2016 (ABMS) on 26 August 2021	- Continuous improvement and leadership through the utilisation of MIND, our Impact Assessment Framework for measuring potential developmental outcomes of the projects financed - Participate in policy making by serving in an advocacy role to the Government - Continuous strategic partnerships with renowned organisations - Become a centre of excellence in development finance	- Regulatory Risk: Challenges may arise from shifts in focus areas arising from changes in the political landscape - Market Risk: - The development of COVID-19 vaccination phases throughout the nation - Due to the COVID-19 pandemic, the global economy is in deep crisis as outlook of the future performance is unclear and unpredictable
	- BPMB's National Development Scheme (NDS) was approved on 28 June 2021 - Budget 2022 announcement that BPMB will assist the Government in providing funding via: - Rehabilitation & Support through Equity Scheme (RESET): of up to RM500 mil; - Working Capital Scheme: of up to RM500 mil, - Malaysia Co-Investment Fund (MyCIF): of up to RM100 mil - Established Sustainable Development (SD) Sukuk Framework, guided by our MIND Impact Assessment Framework - Obtained MARC's Gold Rating for our SD Sukuk Framework - Approved RM474.2 mil in green financing	- Support future projects that scored high on the scale of Impact to Nation, SDGs and Financial Sustainability - Adopt and advocate additionalities indicators as promoted by Bank Negara Malaysia	- Credit Risk: BPMB is exposed to default risk from existing customers facing financial difficulties due to economic uncertainties brought upon by the pandemic - Concentration Risk: Few and limited projects located in the unserved and underserved areas could result in risk of concentrated funding in urban areas - Climate Change Risk: The value of our assets may be adversely impacted by the effects of climate change. Yet, climate change presents an opportunity as we focus on funding for climate resilience
	- BPMB's Islamic portfolio stood at 81.39% - Provided RM950,000 in Education Financial Assistance to 3 local universities by providing students with stipend allowance and launched Back to School Programmes - Provided RM634,890 to hospitals in COVID-19 Medical Equipment & PPE assistance - Provided RM83,450 to frontliners and underprivileged community members in COVID-19 Cash and Meals Supply	- Continue promoting Shariah-compliant financing and solutions in line with impact-focusing approach by adopting "Islamic-first" approach for all new deals - Implement structural solutions for treatment of Shariah non-compliant income - Become a champion of ethical banking	Shariah non-compliance risk & Reputational Risk: Any financial or non-financial implications such as reputational damage arising from a Shariah non-compliance event

OPERATIONALISING STRATEGY THROUGH CULTURE

The MIND Impact Assessment Framework requires an overarching paradigm shift of mindset and behaviour to be embraced by BPMB staff. A total of seven (7) Paradigms have been identified, culminating from our own internal reflection and recognition of external challenges. These are listed below.

THE PARADIGM SHIFT

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



EMBRACING THE PARADIGM SHIFT

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

- Impact-Driven
- Success-Oriented
- Solutions-Driven
- Catalytic



Sustainable Impact Oriented

- The creation of MIND Impact Assessment Framework has enabled the Bank to deliver positive impact for the economy, environment and society. The impact created dovetails effectively with the Bank's six focus Sustainable Development Goals, enabling BPMB to deliver on our commitment to the global sustainable development initiative as we focus on driving national development.



Strong Technical Expertise

- MIND Impact Assessment Framework enhances the traditional method of project evaluation, from a solely credit perspective to a holistic and structured end-to-end assessment across selected Environmental, Social; and Governance (ESG) aspects.
- Using 32 indicators, which will quantify both the financial efficiency of a project as well as its social, environmental and economic impact, the MIND Impact Assessment Framework will then plot the project's metrics on a two-dimensional matrix of financial and developmental perspectives, to further categorise these projects. Projects that score highly across both perspectives will be prioritised by BPMB.
- MIND's assessment metrics are anchored on six out of the 17 Sustainable Development Goals, which are:
 - SDG7 – Affordable and Clean Energy;
 - SDG8 – Decent Work and Economic Growth;
 - SDG9 – Industry, Innovation and Infrastructure;
 - SDG10 – Reduced Inequality;
 - SDG12 – Responsible Consumption and Production; and
 - SDG13 – Climate Action.



Solutions-Driven Institution

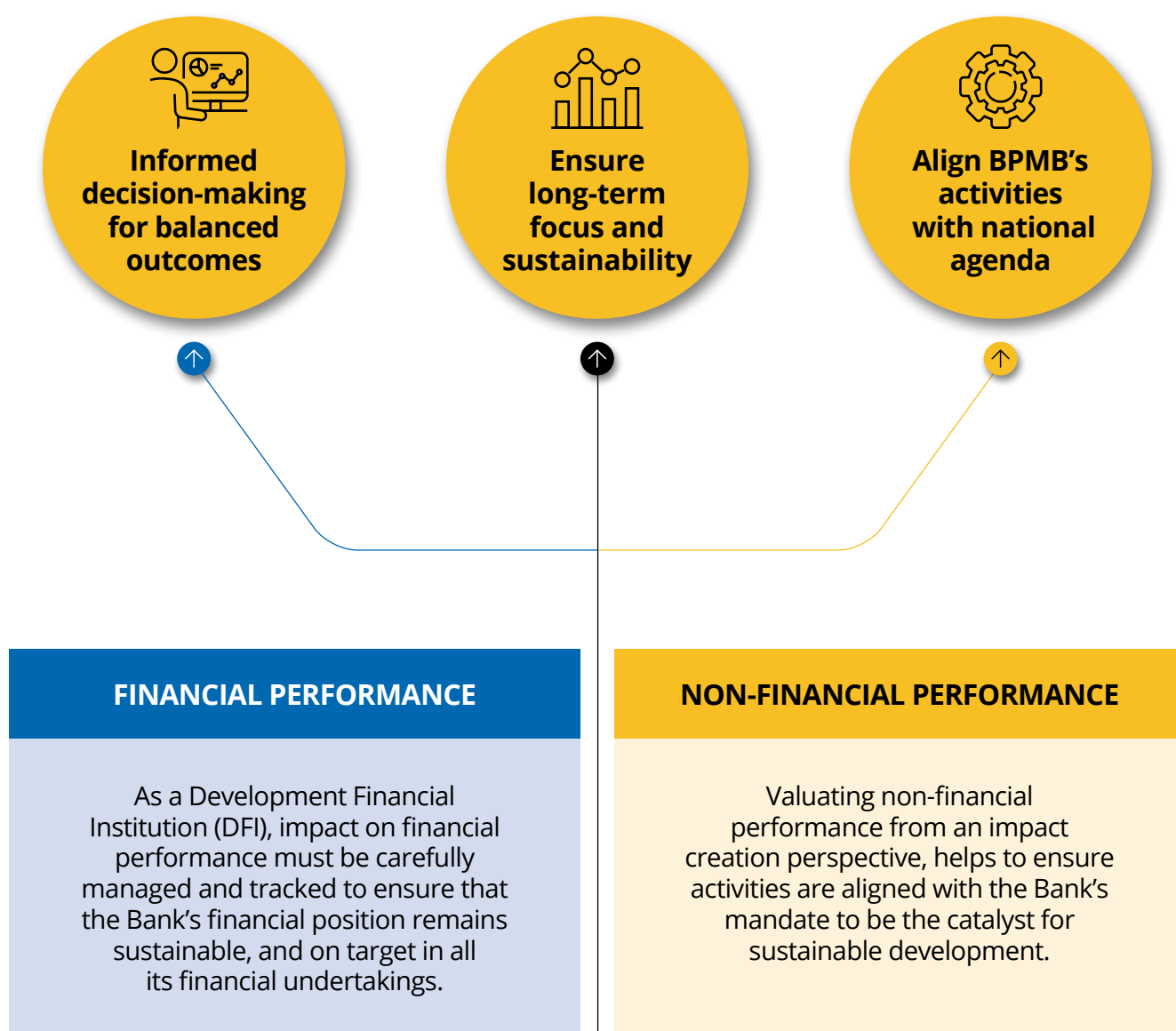
- As one of Malaysia's Development Financial Institutions (DFIs), BPMB will lead in implementing counter-cyclical initiatives and requires flexibility in implementing the National Recovery Plan.
- The Government has included in its National Budget the National Development Scheme (NDS) to meet the needs of sectors severely affected by the COVID-19 pandemic. This is in line with the Government's vision of the 12th Malaysia Plan (12MP) to achieve economic empowerment, environmental sustainability and social re-engineering.

MEASUREMENT FRAMEWORK

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

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

TWIN TRACK TO SUSTAINABLE PERFORMANCE



FIVE-YEAR GROUP FINANCIAL SUMMARY

	2021	2020	2019	2018	2017
PROFITABILITY (RM MILLION)					
Profit before tax and zakat	254	158	380	261	325
Net profit for the year	176	107	252	167	213
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM MILLION)					
Total assets	26,128	23,476	24,663	24,734	26,999
Cash and total deposits and placements	3,092	1,221	3,574	2,350	1,718
Financial Investments – FVOCI	5,950	6,132	5,024	3,720	–
Financial Investments – FVTPL	15	46	–	–	–
Financial Investments – Available for sale (AFS)#	–	–	–	–	5,224
Loans, financing and advances	16,075	15,584	15,702	18,285	19,743
Other assets	996	493	364	379	314
Total liabilities	17,357	15,514	16,768	17,183	19,272
Deposits from customers and financial institutions	7,006	6,148	6,525	6,513	8,160
Bill and acceptance payable	–	–	–	–	249
Redeemable Notes	9,298	8,249	7,293	7,344	7,393
Borrowings	153	508	2,176	2,682	2,784
Infrastructure support fund	304	305	439	304	304
Deferred income	190	202	212	220	227
Other liabilities	406	102	123	120	155
Total equity	8,771	7,962	7,895	7,551	7,727
Paid-up capital	4,019	3,079	3,079	3,079	3,079
Reserves	4,739	4,871	4,804	4,456	4,629
Non Controlling Interest	13	12	12	16	19
Commitments and contingencies	7,503	7,347	7,532	6,257	9,335
SHARE INFORMATION (Per share (sen))					
Earnings per share	5.62	3.48	8.18	5.56	7.34
Gross dividends (sen)	2.17	2.44	4.94	3.25	3.25
Normal (sen)	2.17	2.44	3.25	3.25	3.25
Special (sen)	–	–	1.69	–	–
FINANCIAL RATIOS (%)					
Profitability Ratios (%)					
Return on Equity	2.10	1.35	3.26	2.19	2.76
Return on Assets	0.71	0.44	1.02	0.65	0.79
Cost to Income Ratio	15.96*	9.44*	16.54	13.09	11.28
Asset Quality Ratio (%)					
Gross impaired loans, financing and advances ratio	10.53	11.29	12.15	10.95	12.15
Net impaired loans, financing and advances ratio	4.04	4.45	4.88	4.89	4.99

* Excluding one-off cost of borrowing redemption.

Under MFRS 9, AFS classification under MFRS 139 have been classified as FVOCI.

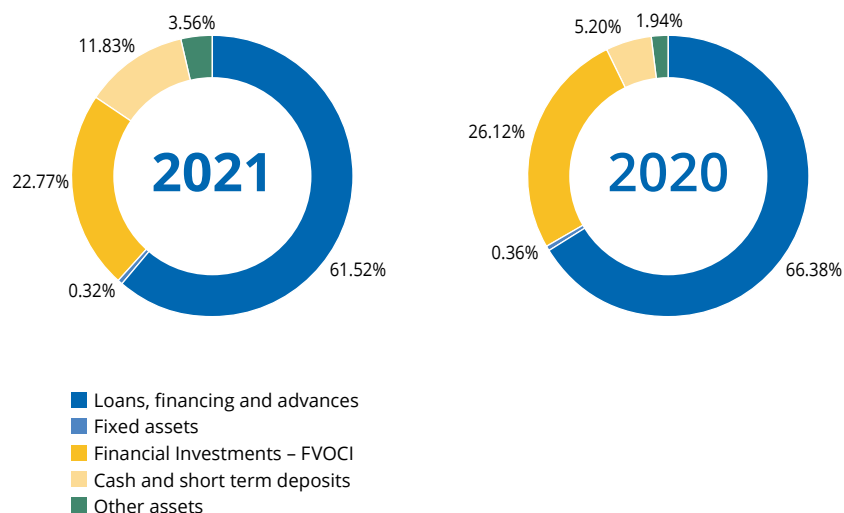
FINANCIAL HIGHLIGHTS

	Group		Bank	
	2021	2020	2021	2020
PROFITABILITY (RM MILLION)				
Profit before tax & zakat	254	158	211	147
Net profit for the year	176	107	146	101
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM MILLION)				
Total assets	26,128	23,476	25,073	23,209
Total deposits and placements	3,092	1,221	1,084	913
Financial Investments – FVOCI	5,950	6,132	5,216	6,132
Financial Investments – FVTPL	15	46	15	46
Investment in subsidiaries	–	–	2,169	255
Loans, advances and financing	16,075	15,584	15,865	15,394
Other assets	996	493	724	469
Total liabilities	17,357	15,514	16,533	15,462
Deposits from customers and financial institutions	7,006	6,148	7,006	6,148
Redeemable Notes	9,298	8,249	8,792	8,249
Borrowings	153	508	153	508
Infrastructure support funds	304	305	304	305
Deferred income	190	202	190	202
Other liabilities	406	102	88	50
Total Equity	8,771	7,962	8,540	7,747
Paid-up capital	4,019	3,079	4,019	3,079
Reserves	4,739	4,871	4,521	4,668
Non Controlling Interest	13	12	–	–
Commitments and contingencies	7,503	7,347	7,122	6,915
SHARE INFORMATION				
Earnings per share – basic (sen)	5.62	3.48	–	–
Gross dividends (sen)	2.17	2.44	2.17	2.44
Normal (sen)	2.17	2.44	2.17	2.44
Special (sen)	–	–	–	–
FINANCIAL RATIOS (%)				
Profitability Ratios (%)				
Return on Equity	2.10	1.35	1.79	1.31
Return on Assets	0.71	0.44	0.60	0.42
Cost to Income Ratio	15.96*	9.44*	15.04*	9.07*
Capital Adequacy (%)				
Risk Weighted Capital Ratio (RWCR)	–	–	36.14	42.83
Core Capital Ratio	–	–	34.14	33.75
Asset Quality Ratio (%)				
Gross impaired loans, financing and advances ratio	10.53	11.29	10.49	11.31
Net impaired loans, financing and advances ratio	4.04	4.45	4.09	4.49

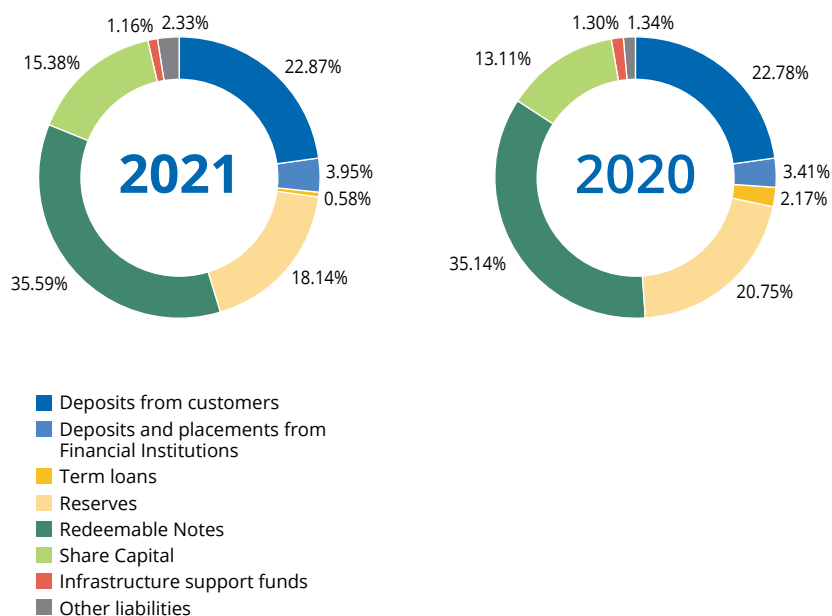
* Excluding one-off cost of borrowing redemption.

GROUP STATEMENT OF FINANCIAL POSITION

COMPOSITION OF ASSETS



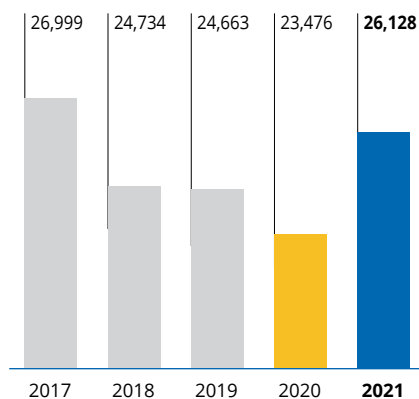
COMPOSITION OF LIABILITIES AND EQUITY



FIVE-YEAR GROUP GROWTH TRAJECTORY

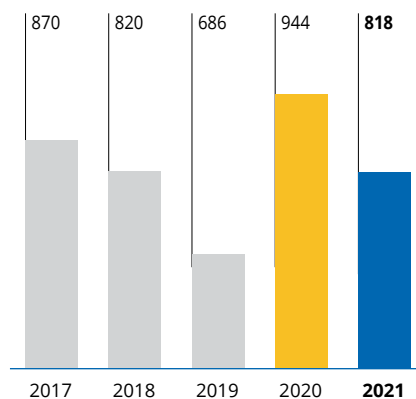
TOTAL ASSETS

26,128
RM MIL



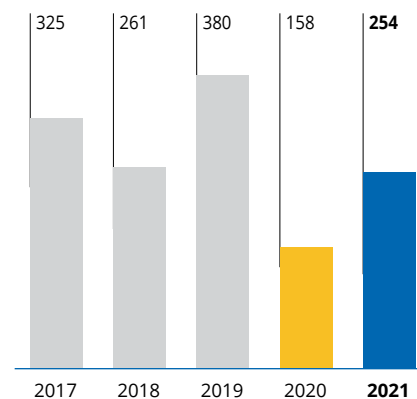
NET INCOME

818
RM MIL



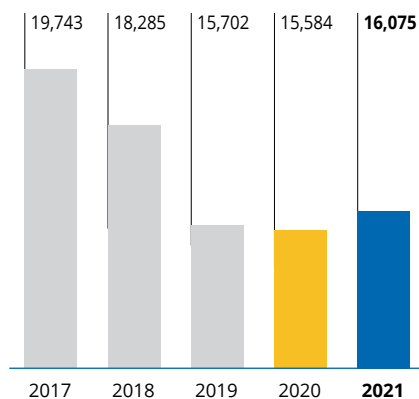
PROFIT BEFORE TAX & ZAKAT

254
RM MIL



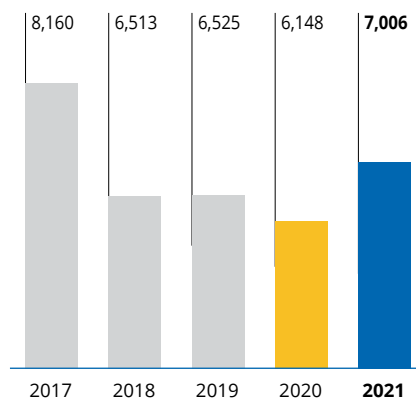
NET LOANS, FINANCING AND ADVANCES

16,075
RM MIL



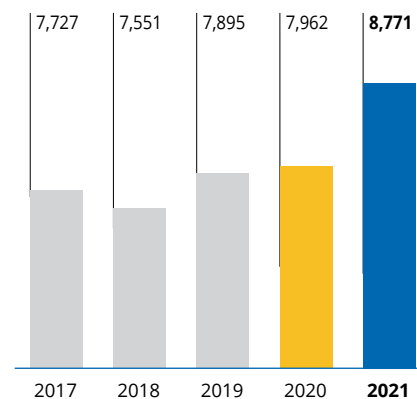
DEPOSITS FROM CUSTOMERS & FINANCIAL INSTITUTIONS

7,006
RM MIL



TOTAL EQUITY

8,771
RM MIL



NON-FINANCIAL PERFORMANCE

The Bank's Non-Financial Performance Framework is outcome-based, designed to capture the broader contributions of BPMB, beyond the narrow focus of financing growth indicators. In particular, it integrates developmental key result indicators to measure the socio-economic impact of BPMB's operations on its key stakeholders. These non-financial indicators also act as leading indicators of future financial performance, and will create strong incentives for strategic alignment to achieve greater development impact.

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

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

There are five indicators on developmental impact, which are also included in BPMB's Corporate Scorecard 2021.

INDICATOR	FY2021 TARGET	FY2021 PERFORMANCE
Approved Financing to Geographically Underserved Areas $\frac{\text{Total Number of Approved Financing Applications to Geographically Underserved Areas in 2021}}{\text{Total Number of Approved Financing Applications in 2021}}$ Note: Geographically Underserved Areas do not include KL, Putrajaya, Selangor, Pulau Pinang & Johor.	20.00%	33.33% Exceeded target for Approved Financing to Geographically Underserved Areas.
Approved Financing to Underserved Sectors $\frac{\text{Total Number of Approved Financing Applications to Underserved Sectors in 2021}}{\text{Total Number of Approved Financing Applications in 2021}}$ Note: Underserved Sectors include – (i) Transport, Storage & Communication (ii) Electricity, Gas & Water Supply (iii) Education, Health & Others (iv) Advanced Manufacturing (v) Environmental Conservation	10.00%	83.33% Exceeded target for Approved Financing to Underserved Sectors.
Approved Green Financing Total number approved for Sustainable Development Financing Scheme (SDFS) and Green Technology Financing Scheme (GTFS).	RM500.0 mil	RM474.2 MIL A total of 4 approved green financing in FY2021.
Increase in Clients' Income (Preservation of Client Income – Due to Relief Measures) In 2020, the target was number of approvals under moratorium. In 2021, out of the 41 accounts under moratorium (Stage 1 & Stage 2), it targeted a maximum of 3 clients that will turn impaired (Stage 3). Note: It measures the impact of the preservation of client's income i.e. does it result in the customer remaining a going concern to continue contributing to the economy (jobs, production, etc.).	3 clients	0 CLIENT No impairment recorded.
Crowd-in Private Investment $\frac{\text{Total funding from other institutions}}{\text{Total funding from BPMB}}$	0.25 times ≤ x ≤ 4.00 times	1.50 TIMES Participated in 1 syndication in 2021 to promote Private Investment Crowd-In.

B. SOCIAL COST AND BENEFIT

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

INDICATOR	FY2021/FY2020 PERFORMANCE
Subsidy Dependence Index (SDI) Measures the Development Financial Institution level of self-sustainability in relation to government assistance. A higher SDI indicates higher dependence on government's financial assistance.	2021: 12.01% 2020: 12.11%
Output Index (OI) Measures the DFI in fulfilling social objectives i.e. financing targeted sectors. An OI below 1 indicates that more funds have been channelled towards the targeted segments rather than non-targeted segments.	2021: 0.56 2020: 0.56
Net Subsidy Cost (NSC) Measures the effective weighted cost of the subsidy (Government assistance) to the society against the OI. NSC lower than net subsidy received is better, indicating effective social gain as the subsidy reaches more targeted sectors.	2021: RM75.7 MIL 2020: RM73.8 Mil
Analysis The Bank recorded a higher Profit Before Taxation and Zakat (PBTZ) and achieved portfolio growth for FY2021, resulting in lower SDI. The Bank continues to maintain an OI of less than 1, and NSC less than net subsidy received, because the Bank served targeted sectors only. Moving forward, the Bank shall continue to strive for portfolio growth which will result in higher PBTZ and serve targeted sectors only.	

BOARD OF DIRECTORS



TAN SRI MOHAMED NAZIR ABDUL RAZAK

Non-Executive Chairman/Independent Non-Executive Director

Date of Appointment

22 April 2021

Qualifications

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

Areas of Expertise

- Banking & Transformational Leadership

Relevant Experience

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

During his career at CIMB he also served as a Non-Executive Director of Khazanah Nasional for 4 years from 2014 to 2018 and as a member of the Employee Provident Fund Investment Panel for 15 years from 2002 to 2017. Since 2019 Tan Sri Nazir has been the Founding Partner and Chairman of Ikhlas Capital, an ASEAN private equity firm. He currently sits on the advisory board of the Blavatnik School of Government, Oxford University.

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

Tan Sri Nazir has made significant contributions in philanthropy and was instrumental in setting up the CIMB Foundation in 2007. At present, he sits on the advisory board of the Centre for Asian Philanthropy and Society (CAPS) and is a trustee of the Urological Cancer Trust Fund of Universiti Malaya. In February 2022, Tan Sri Nazir was appointed as a trustee of Yayasan Tun Razak.

Directorships in Public Companies/Subsidiaries of Public Companies

- Chairman of PLS Plantation Berhad

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

N

Declaration

Tan Sri Nazir has no

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

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



ARIFF ROZHAN

Independent Non-Executive Director

Date of Appointment

10 May 2019

Qualifications

- LLB (Hons) from Reading University, Berks, England
- Barrister at Law, The Honourable Society of the Inner Temple
- Fellow of the Chartered Institute of Arbitrators

Areas of Expertise

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

Relevant Experience

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

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

Directorships in Public Companies/Subsidiaries of Public Companies

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

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB



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.



NORAZILLA MD TAHIR

Independent Non-Executive Director

Date of Appointment

14 August 2020

Qualifications

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

Areas of Expertise

- Finance, Audit and Accounting

Relevant Experience

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

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

Directorships in Public Companies/Subsidiaries of Public Companies

- Director of Etiqa Life Insurance Berhad
- Director of Amanah Raya Berhad
- Director of Amanah Raya Trustees Berhad
- Director of Global Maritime Ventures Berhad
- Director of Pembangunan Leasing Corporation Sdn. Bhd.
- Director of PLC Credit & Factoring Sdn. Bhd.
- Director of BI Credit & Leasing Berhad

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB



Declaration

Norazilla has no

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

BOARD OF DIRECTORS

**THOMAS MEOW YOKE NEAN**

Independent Non-Executive Director

Date of Appointment

2 June 2021

Qualifications

- Bachelor of Accounting (Hons) from the University of Malaya

Areas of Expertise

- Accounting, Investment Banking, Debt Capital Market, Treasury Market, Corporate Banking

Relevant Experience

Thomas has over 30 years of experience in the banking industry. He began his career as a trader at RHB Bank in 1990 and was its Head of Structured Derivatives when he set up the first derivatives desk in a local bank during the formative years of Malaysia's derivatives market.

He joined CIMB Group in 1997 where he held various positions until 2019. Thomas set up the Structured Products franchise upon joining the bank. From 1999 he also built and led the Sukuk and Bond franchises of CIMB. Thomas helmed CIMB Discount House as Chief Executive Officer before it was merged with CIMB Investment Bank. Over the years, his portfolio expanded in the Asean region to include fixed income trading market making and investment, corporate banking, securitisation, project finance, acquisition finance and aircraft finance.

Thomas held the role of Advisor to the Group CEO from 2016 to 2019 and was Chairman of its Group Underwriting Committee and Group Credit Committee.

His significant contributions to the broader industry was as Chairman of the Debt Capital Markets Committee of the Malaysian Investment Banking Association from 2006 to 2015 and as Deputy Chair of the ASEAN+3 Bond Market Forum, established under the auspices of the Asian Bond Markets Initiative, from 2011 to 2015.

Directorships in Public Companies/Subsidiaries of Public Companies

- Nil

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB**Declaration**

Thomas 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.

**DATIN RASHIDAH MOHD SIES**

Non-Independent Non-Executive Director

Date of Appointment

27 September 2021

Qualifications

- Diploma in Public Administration from The National Institute of Public Administration (INTAN)
- Bachelor in Business Administration (Finance) from Idaho State University in 1986
- Master in Business Administration from US International University California in 1987

Areas of Expertise

- Public Administration & Finance

Relevant Experience

Her career at the Ministry of Finance began in 1989 at the Investment Section, Finance Division, where she was responsible for managing Government loans from the capital market. In 1998, she was assigned to the Privatisation Section of the Finance Division, where she was responsible for coordinating privatisation projects. Datin Rashidah was then assigned to the MKD Section, BSPN to handle matters related to corporate issues of Government companies from various sectors.

She was also directly involved in the rationalisation and restructuring of the functions and roles of Bank Pembangunan dan Infrastruktur Malaysia Berhad including Bank Industri Malaysia Berhad. In 2009, she was assigned to the Economic Sector, BMKD to coordinate privatisation projects as well as handle matters related to corporate issues of Government companies.

Among the positions that Datin Rashidah held was as a Deputy Under Secretary (Commercial Sector), Government Investment Companies Division in 2016 and as Under Secretary Government Investment Companies Division in 2018. Datin Rashidah is currently the Deputy Secretary General (Management) at the Ministry of Finance.

She is currently on the Boards of Securities Commission Malaysia, TRX City Sdn. Bhd, UDA Holdings Berhad and DBKL.

Directorships in Public Companies/Subsidiaries of Public Companies

- Syarikat Jaminan Pembiayaan Perniagaan Berhad
- Syarikat Jaminan Kredit Perumahan Berhad
- UDA Holdings Berhad
- Danainfra Nasional Berhad
- TRX City Sdn. Bhd.
- SRC International Sdn. Bhd.

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Nil

Declaration

Datin Rashidah 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.



OTHMAN ABDULLAH

Independent Non-Executive Director

Date of Appointment

22 October 2021

Qualifications

- Bachelor of Science in Computer Engineering from the University of Michigan, Ann Arbor, USA
- Post Graduate Diploma and Master of Science in Islamic Banking and Finance from the International Islamic University of Malaysia
- Recipient of the Certificate of Premier Business Management Program from Harvard Business School as well as Certificate of Islamic Finance Leadership Program from Cambridge IF Analytica
- Currently, pursuing for PHD at University Sains Islam Malaysia

Areas of Expertise

- Information Technology, Digital Economy, Financial Technology, Banking and Finance

Relevant Experience

Othman has over 24 years of experience in the digital economy and financial technology sector with emphasis on IT solution implementation and transformation services, and has been engaged by a number of financial institutions in Asia, Middle East and Africa.

He started his career with Silverlake in May 1997 as a Management Executive and was promoted to Vice President in 2000. In January 2007, Othman joined Bank Islam as Senior Manager, Head of Information Technology Application Development. In July 2007, he re-joined Silverlake as Executive Vice President. In 2010, he was promoted to the rank of Managing Director heading Islamic Banking division. In July 2017, he was re-designated as the Chief Executive Officer in charge of Islamic Banking and Innovative Services.

Qualified in both IT and Islamic finance and equipped with more than two decades of hands-on experiences servicing financial services industry, Othman is positioned as a financial technology thought leader in Islamic banking and finance. He is a prolific writer contributing to various publications and appears in television programmes. He is also active in presenting papers at conferences and seminars.

Directorships in Public Companies/Subsidiaries of Public Companies

- Nil

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB



Declaration

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.

GROUP CHIEF EXECUTIVE OFFICER



RONI LIHAWA ABDUL WAHAB

Group Chief Executive Officer

Date of Appointment

8 April 2022

Qualifications

- Bachelor of Science in Economics (cum laude) from The Wharton School, University of Pennsylvania, Philadelphia, United States of America

Areas of Expertise

- Business, Operations and Organisational Management, Strategic Planning, Business Development & Execution, Risk Management, Mergers & Acquisitions, Restructurings and Corporate Finance

Relevant Experience

Prior to his appointment as Group Chief Executive Officer of BPMB, Roni has held senior leadership roles in the banking, investment management and corporate sectors. Roni had served at Khazanah Nasional Berhad as Executive Director, Investments and was also Managing Director and Country Head of Global Banking, HSBC Bank Berhad Malaysia. Most recently, he was an independent board member at Maybank Asset Management Group Berhad, and Chairman of Maybank Islamic Asset Management Sdn. Bhd.

Directorships in Public Companies/Subsidiaries of Public Companies

- Nil

Shareholdings in BPMB Group

- Nil

Membership of Board Committees in BPMB

- Nil

Declaration

Roni has no

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

SHARIAH COMMITTEE



ASSOCIATE PROFESSOR DR. AZNAN HASAN

Chairman

Date of Appointment

1 April 2017

Qualifications

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

Relevant Experience

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

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

Memberships and Other Appointments

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



DR. AHMAD BASRI IBRAHIM

Member

Date of Appointment

1 April 2017

Qualifications

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

Relevant Experience

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

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

Memberships and Other Appointments

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

SHARIAH COMMITTEE



USTAZ MOHD FADHLY MD YUSOFF

Member

Date of Appointment

1 April 2017

Qualifications

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

Relevant Experience

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

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

Memberships and Other Appointments

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



PROFESSOR DR. ZURINA BINTI SHAFII

Member

Date of Appointment

1 April 2021

Qualifications

- Bachelor in Accountancy, Universiti Teknologi Mara Malaysia
- MSc. Finance, Durham University, United Kingdom
- PhD in Islamic Finance, Durham University, United Kingdom
- Professional Accounting Qualification, ACCA
- Certified Islamic Financial Planner

Relevant Experience

Professor Dr. Zurina Shafii is a Professor in the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM). She is also a research fellow in Islamic Finance and Wealth Management Institute (IFWMI) at USIM. Her field of expertise includes Shariah audit and assurance, Islamic accounting and reporting, Islamic financial planning and Halal Compliance Procedures. To date, she has authored four books on Islamic financial planning, Shariah audit and Islamic finance.

She is one of the founders of Muamalat Interactive Game (MIG); a game that has been innovated by incorporating the concepts and operations for retail products offered by Islamic banks. Such invention has won various awards conferred by Persidangan dan Ekspo Ciptaan Institusi Pengajian Tinggi Antarabangsa (PECIPTA), International Invention, Innovation and Technology Exhibition (ITEX) and International Trade Fair Ideas Inventions New Products (IENA) in Germany. The board games are used widely in various trainings conducted by Islamic banks, zakat institutions, universities, schools and Non-Governmental Organisations (NGOs).

Her expertise in Islamic finance led to her appointment as a member of the external expert panel for Finance Accreditation Agency (FAA) and a subject matter expert (SME) for IBFIM on Shariah audit that headed the project of Professional Shariah Auditor Certification in December 2019. Her engagement with Shariah governance functions and personnel such as Shariah risk managers, Shariah reviewers and Shariah auditors as the main trainer for Module 4 of Shariah Risk Management and Module 5 of Shariah Audit Planning and Programme has provided her with a good platform to further understand the issues and concerns in Islamic banking and takaful.

Memberships and Other Appointments

- President of Association of Islamic Financial and Wealth Management (AIFIWM)
- Shariah Committee member of Standard Chartered Saadiq Berhad
- Shariah Committee member of Khadijah International Waqf Foundation (Labuan)



DR. SYAHNAZ BINTI SULAIMAN

Member

Date of Appointment

1 April 2021 (retired with effect from 1 April 2022)

Qualifications

- Bachelor Degree in Shariah Law, University of Malaya
- Master Degree in Islamic Master of Comparative Laws (MCL), International Islamic University Malaysia (IIUM)
- PhD in Islamic Economy, University of Malaya

Relevant Experience

Dr. Syahnaz is a Senior Lecturer in Islamic finance at the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM). She teaches several subjects on Islamic finance and has written a number of research papers. She has also supervised a number of postgraduate thesis on Islamic finance. She participates actively in Shariah and Islamic finance conferences.

Prior to joining USIM, she served as Senior Assistant Director at Jabatan Kemajuan Islam Malaysia (JAKIM) for 10 years and has published numerous articles in journals and books pertaining to Islamic law of transactions (Muamalat) and Islamic finance. She has been a member of Shariah Advisory Board of Maybank Islamic Berhad (MIB) before being appointed as BPMB Shariah committee member.

Memberships and Other Appointments

- Member of the Association of Shariah Advisors in Islamic Finance

SENIOR LEADERSHIP TEAM



RONI LIHAWA ABDUL WAHAB
Group Chief Executive Officer



MOHAMED NAZRI OMAR
Managing Director



POORANI RAMACHANDRAN
Chief Financial Officer



ZULKEEFIL MAD KARIM
Chief Operations Officer



MUHAMMAD TAUFIQ ABDUL LATIF
Chief Credit Officer



JASON GOAY NGEE CHIEW
Chief Risk and Compliance Officer

LEADERSHIP



MUHAEMED NOH KADERAN

Chief Internal Auditor



MUHAMMAD AZRAINI ABDUL HAMID

Group Head,
Private Equity and Strategic Investments



JUNAIDAH ABDUL RAHIM

Group Head,
Legal



GERALD GOH YONG HWA

Group Head,
Coverage



WEE YEE TAT

Group Head,
Capital Markets and Advisory



NOOR AIN MOHD AMIN

Group Head,
Shariah Management



VIKRAMAN KALIA PURUMAL

Group Head,
Strategy and Communications



AHMAD NADJME YUSUF

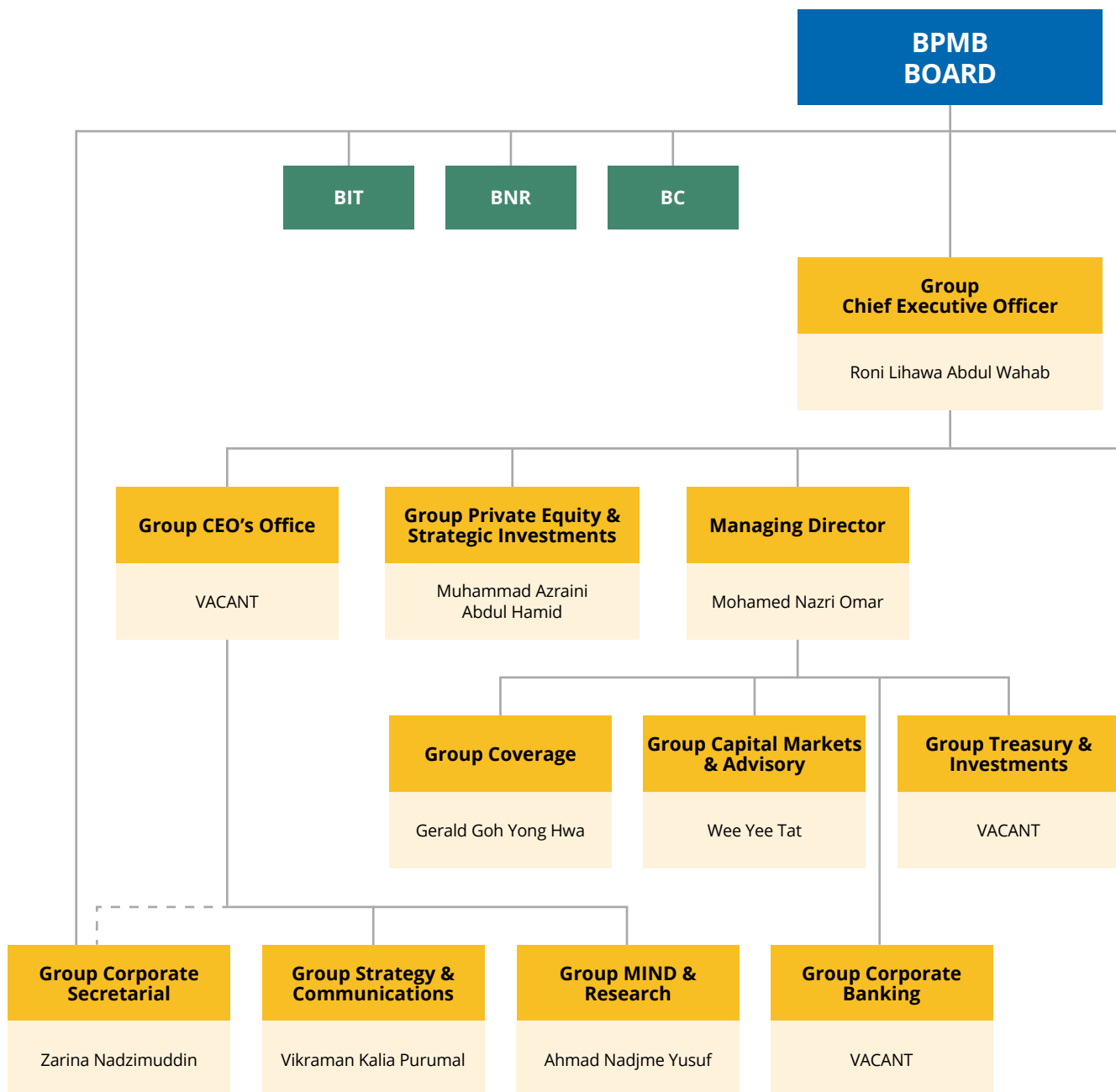
Group Head,
MIND and Research



ZARINA NADZIMUDDIN

Group Company Secretary

GROUP ORGANISATION STRUCTURE

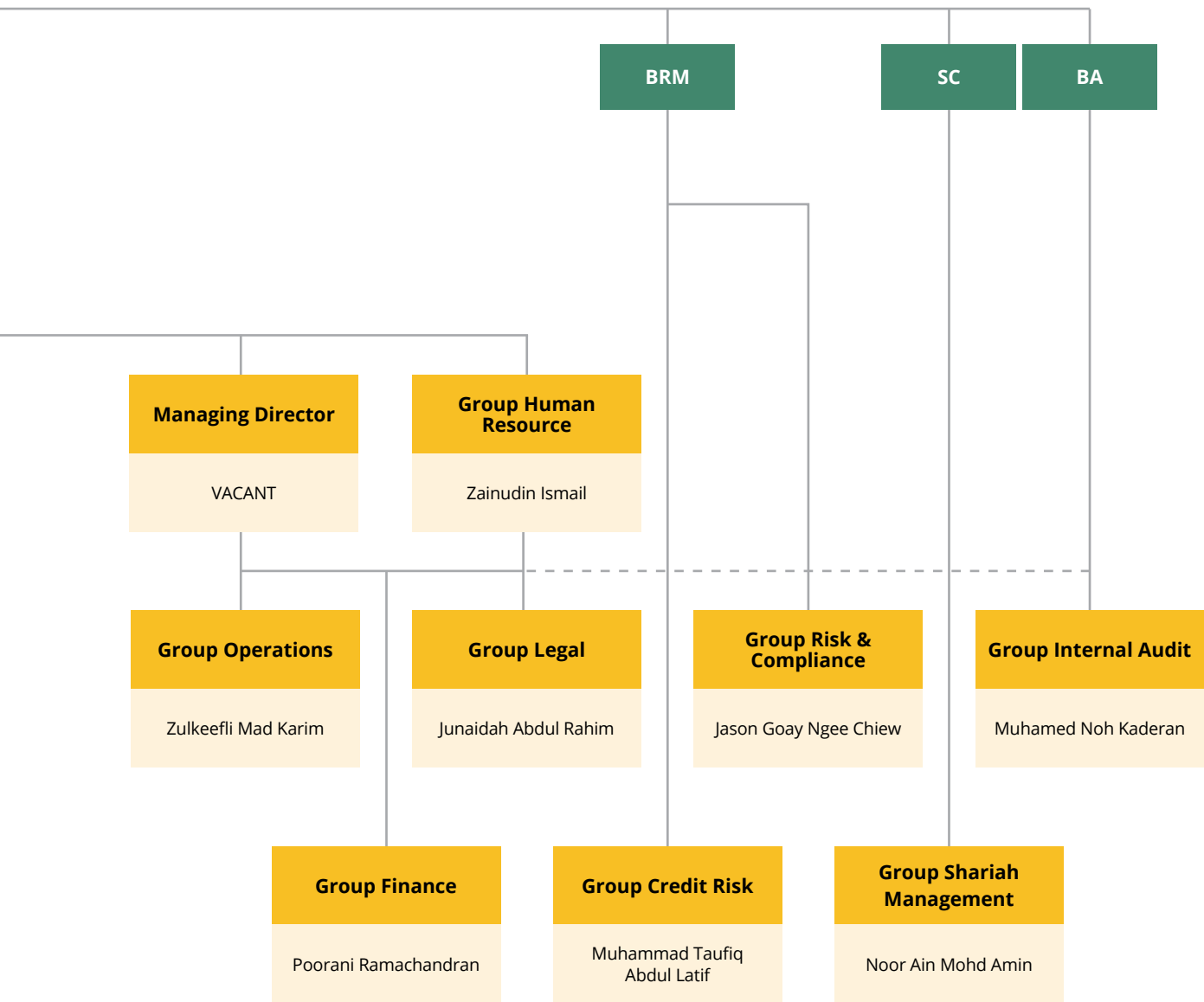


Legends

BIT Board Information Technology Committee

BC Board Credit Committee

BNR Board Nomination & Remuneration Committee



STATEMENT OF CORPORATE GOVERNANCE

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

BOARD COMPOSITION AND BALANCE

The Directors' professional backgrounds, skills, extensive experience and knowledge in various fields, accumulated while serving the private and government sectors, bring to the Board the essential range of capabilities, expertise and experience required to effectively perform its functions. A brief profile of each Director is presented on pages 38 to 41 of the Annual Report.

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

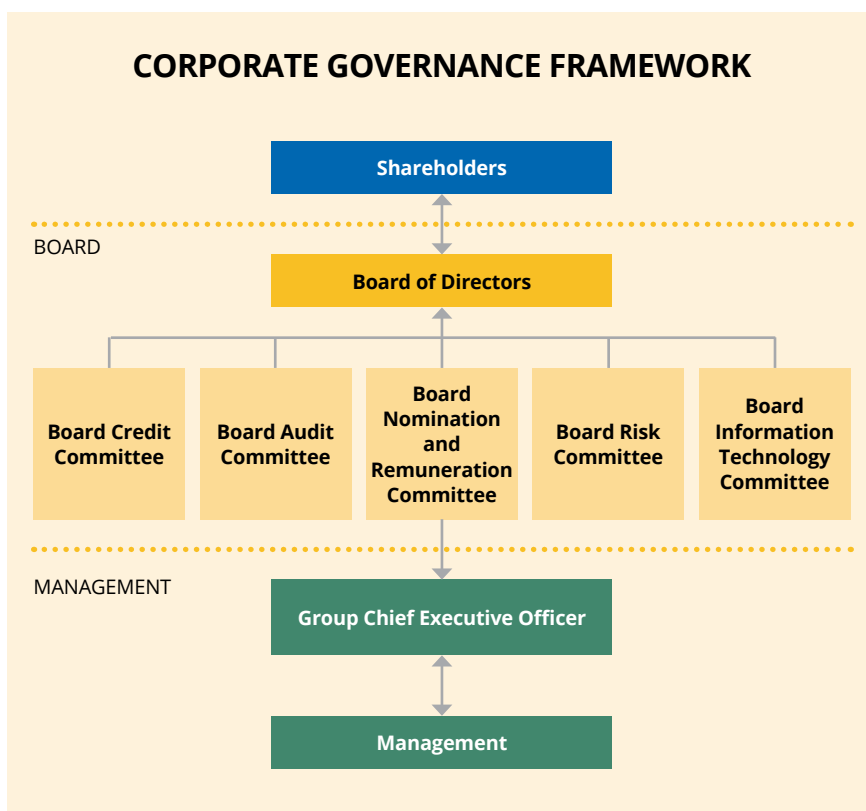
As at 31 March 2022, the Board comprises six (6) members with one (1) Non-Executive Chairman/ Independent Non-Executive Director, four (4) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. All Independent and Non-Executive Directors are persons of high calibre and integrity with the ability to exercise independent judgement, and act in the best interests of the Bank. The high proportion of Independent Non-Executive Directors (INEDs) also provides the necessary checks and balances on executive decisions made by the Management. The Board is satisfied, that no individual or group of Directors, has unfettered decision-making powers that will create a potential conflict of interest.

BPMB is in the process of appointing an Independent Director with finance-related or accounting experience in order to comply with the requirement, prescribed in the BNM Policy Document on Corporate Governance for DFIs, i.e. at least three (3) Directors must have

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

The appointment/re-appointment of Directors is governed by the BNM Policy Document on Corporate Governance for DFIs, BNM Policy on Fit & Proper Criteria, BPMB Policy on Fit and Proper

Criteria for the Board of Directors, Shariah Committee (SC) and President/ Group Chief Executive Officer (P/GCEO) and the Bank's Constitution. The Board Nomination and Remuneration Committee (BNRC), reviews and assesses the potential and current Directors' mix of skills, core competencies, experience, integrity and time, to effectively discharge his or her role, for the purpose of appointments/ re-appointments before a recommendation is made to the Board for approval. BNRC will also refer to the results of the individual assessments conducted via Directors' Self and Peer Assessment for re-appointment of Directors. The application for the appointment/re-appointment of Directors will be submitted to BNM, for verification on fit and proper, and Ministry of Finance (MOF) for final approval.



KEY BOARD FEATURES



Skills and Experience

- Banking
- Accounting
- Finance
- Audit
- Legal and Compliance
- Transformational Leadership
- Public Administration
- Information & Financial Technology



Nationality

Malaysian

6



Gender

Male

4

Female

2



Age

50 – 58 years old

6

BOARD EVALUATION

The Board has also implemented an annual evaluation of the overall effectiveness of the Board, and Board Committees. The Board Effectiveness Evaluation (BEE) for year 2021 is conducted internally, whereby a detailed questionnaire was given to each Director. The questionnaire covers questions on the experience, qualification and skills of the Directors, comprehension of role and responsibilities as members of the Board Oversight Committees, Directors' preparedness, contribution and quality of discussions.

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

DUTIES AND RESPONSIBILITIES

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

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

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

- Corporate Governance, Policy and Strategic Matters for the Group;
- Shariah Governance and Compliance;
- Risk Governance and Internal Control;
- Succession Planning; and
- Conduct of the Group's Business.

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

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

STATEMENT OF CORPORATE GOVERNANCE

SHARIAH GOVERNANCE AND COMPLIANCE

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

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

vii. promote a sound corporate culture which reflects the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah; and

viii. continuously develop and strengthen Directors' knowledge and understanding on Islamic finance business, as well as keeping Directors' abreast of developments that may impact Islamic financial business, in order to fulfil their responsibilities to BPMB.

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

- i. Implementing business and risk strategies, remuneration and other policies in accordance with the approved business strategies and funding plan as endorsed by the Board;
- ii. Promoting, together with the Board, a sound corporate culture within BPMB which reinforces ethical, prudent and professional behaviour;
- iii. Addressing actual, or suspected breaches of regulatory requirements, or internal policies, in a timely and appropriate manner;
- iv. Regularly updating the Board with material information the Board needs to carry out its oversight responsibilities;
- v. Ensuring that, in leading Senior Management, the Group's Islamic finance operations, business, affairs and activities comply, at all times, with Shariah requirements;
- vi. Serving as the conduit between the Board and Management in ensuring the success of the Group's governance and management functions;

vii. Ensuring the Board's decisions are implemented, and the Board's directions are responded to;

viii. Providing direction in the implementation of both short-term and long-term business plans;

ix. Providing strong leadership that effectively communicates sound and viable vision, management philosophy and business strategy to the employees; and

x. Ensuring the day-to-day business affairs of the Group are effectively and appropriately managed.

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

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

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

Whistleblowing Policy

The Group is dedicated to uphold Malaysia's Anti-Corruption Principles, promoting integrity, transparency and good governance in all aspects of its business, when we signed the Corporate Integrity Pledge on 26 September 2016. Hence, our Whistleblowing Policy is designed to allow individuals to whistleblow on issues of serious concerns that they encounter. These include bribery,

corruption, conflict of interest, fraud, abuse of power or other issues that have a reputational risk to the Group. The policy also extends the necessary protections to the whistleblower, in line with the Whistleblower Protection Act 2010. Besides the internal channels, there is an external independent party that administers a platform, known as Deloitte Halo, which provides a channel to all BPMB staff as the alternative channel. Deloitte Halo provides 5 modes of communication for staff to disclose any concerns via a toll-free telephone number, website, email, facsimile and postal mail. All of these serve to complement the Group's governance framework, and ensure legitimate concerns can be objectively evaluated, and addressed.

BOARD MEETING AND SUPPLY OF INFORMATION

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

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

The Board also peruses the deliberations, and decisions made by the Board Oversight Committees, through the

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

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

During the financial year ended 31 December 2021, the Board met 26 times. The attendance record of the Directors at Board Meetings for 2021 is as follows:

Name of Director	No. of Meetings and Attendance
Tan Sri Mohamed Nazir Abdul Razak Non-Executive Chairman/ Independent Non-Executive Director (appointed with effect from 22 April 2021)	14/14*
Datuk Zaiton Mohd Hassan Non-Executive Chairman/ Independent Non-Executive Director (retired with effect from 18 February 2021)	5/5*
Dr. Mohamed Ashraf Mohamed Iqbal Independent Non-Executive Director (resigned with effect from 28 February 2021)	7/7*
Dato' Othman Semail Non-Independent Non-Executive Director (retired with effect from 20 March 2021)	7/8*
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah Independent Non-Executive Director (resigned with effect from 25 April 2021)	12/12*
Encik Ariff Rozhan Independent Non-Executive Director	26/26
Puan Norazilla Md Tahir Independent Non-Executive Director	25/26
Encik Thomas Meow Yoke Nean Independent Non-Executive Director (appointed with effect from 2 June 2021)	12/12*
Datin Rashidah Mohd Sies Non-Independent Non-Executive Director (appointed with effect from 27 September 2021)	6/6*
Encik Othman Abdullah Independent Non-Executive Director (appointed with effect from 22 October 2021)	4/4*

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

STATEMENT OF CORPORATE GOVERNANCE

BOARD'S DELIBERATIONS

Key Matters Discussed by the Board

Key areas/matters reviewed, deliberated and approved by the Board during Financial Year 2021 (FY2021) include the following:



STRATEGY

- Solving The DFI Conundrum: Project Jupiter – Moving forward in 2021
- Proposed Issuance of Bank Pembangunan Malaysia Berhad Islamic Medium-Term Notes under the Structure of Wakalah ('BPMB Sukuk Wakalah') of up to RM1.7 Billion
- Capital Management Plan 2021-2022
- Proposed Management Scorecard 2021
- Outsourcing Plan FY2021
- Project Jupiter – Final Approval on Proposed Acquisition
- Pembangunan Leasing Corporation Sdn Bhd's Strategy – The Way Forward
- BPMB Group Business Plan and Budget 2022-2023
- Memorandum of Understanding with Malaysia Digital Economy Corporation Sdn Bhd
- Allotment of Shares
- Proposed Acquisitions of the Entire Equity Interest in Danajamin Nasional Berhad (Danajamin) by Bank Pembangunan Malaysia Berhad (BPMB)



FINANCIAL PERFORMANCE

- Regularly reviewed BPMB & its subsidiaries Financial Results (Monthly Management Report, Quarterly, Half Yearly & Yearly)
- Tawarruq Financing of a power plant worth RM1,350.0 million
- Enhancement on the Terms of Existing Schemes 2021
- Principal Terms & Conditions of National Development Scheme
- Investment Proposal through Microleap's Peer-to-Peer Financing Platform
- Mid-Term Budget Review 2021
- Proposed Full Prepayment of RM150.0 Million Bank Pembangunan Malaysia Berhad (BPMB) Outstanding Conventional Term Loan with Employees Provident Fund (EPF)
- Establishment of Sustainable Development Sukuk Framework
- Basel III Compliant Tier 2 Capital Sustainable Development Goals Sukuk Programme
- Capital Contingency Simulation



SUSTAINABILITY

- Ensured compliance with the Bank Negara Malaysia (BNM) policy on Climate Change
- SEEDS Programme for SMK Padang Tembak



GOVERNANCE

- Proposed Appointment of External Consultants to Undertake the Board Effectiveness Evaluation
- Guideline on Identifying Customer's Related Party Transactions
- Annual 'Fit & Proper' Assessment
- Revision to Assets Declaration Form (Director)



RESPONSE TO COVID-19/ FLOOD

- Additional Budget for COVID-19 Contributions
- Contribution to PPUM
- Contribution to Hospital Selayang
- Contribution towards IDEAS
- Contribution to Skuad 69 PDRM
- Contribution to CAC Titiwangsa Via D'Tandoor
- Flood Assistance for Kg Baru Residents
- Flood Assistance for victims in Selangor



INFORMATION TECHNOLOGY

- The Development of the New Sub-System (External Portal) – Variation Order
- Technology Convergence Assessment and Recommendation: Management Information System (MIS)
- Management Information System (MIS) Solution RFP Evaluation Result and Recommendation
- Ratification on Business Recovery Services as Material Outsourcing Arrangement
- Ratification on Hosting and Maintenance of BPMB, PLC and GMV Websites Services as Material Outsourcing Arrangement



RISK MANAGEMENT & COMPLIANCE

- Received Status Update on Risk Appetite Statement and Tolerance Level
- Received Quarterly Group Stress Test Results
- Review of Sector and Sub-Sector Limit for Commercial Projects
- Subscription of Managed Security Services for Bank Pembangunan Malaysia Berhad Group
- Corruption Risk Assessment for Anti-Bribery Management System
- Review of Methodology to Compute Liquidity Coverage Ratio
- Establishment of Climate Change Risk Framework
- Group Compliance Framework
- Credit Value Chain Project 2019



CULTURE, VALUE

- Consequence Management Framework
- Proposal on BPMB's Scholarship Programme for Local Public University Students

TRAINING AND DEVELOPMENT OF DIRECTORS

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

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

Seminars/conferences/training programmes attended by the Directors in the financial year ended 31 December 2021 included the following:

- FIDE Core Programme Module A
- FIDE Core Programme Module B
- Islamic Finance for Board of Directors Programme
- BOD Training on "Operational Resilience, Integrity, AML/CFT and Cyber Security" programme held on 1 November 2021 organised by BPMB
- Knowledge Sharing Session – Sustainability Talk by Eugene Wong, CEO of Sustainable Finance Institute Asia (SFIA)

DIRECTORS' REMUNERATION

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

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

 A summary of the total remuneration of the Directors for the financial year ended 31 December 2021 is set out on pages 193 to 194 of this Annual Report

COMMITTEES

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

Board Credit Committee
Board Audit Committee
Board Nomination and Remuneration Committee
Board Risk Management Committee
Board Information Technology Committee

Board Credit Committee

» Objective

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

» 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 loans/financing/credit related proposals and investment, including the proposed terms and conditions, or any variations, thereof, as per the limit and authority set in BPMB Authority Matrix and Authority for Credit Approval for PLC.
- To endorse or veto "policy loans/financing" and loans/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 the 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 endorse or veto any other matters as prescribed in BPMB Authority Matrix and Authority for Credit Approval for PLC.
- To consider any other matters as referred by BPMB Board to BCC.

STATEMENT OF CORPORATE GOVERNANCE

» Committee Meeting and Attendance

Based on the TOR of the BCC, BCC may meet twice a month, and for any additional ad hoc meetings, as and when required. BCC met 22 times during FY2021. The Committee members and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Dr. Mohamed Ashraf Mohamed Iqbal (ceased as Chairman with effect from 28 February 2021)	3/3*
Datuk Zaiton Mohd Hassan (ceased as member with effect from 18 February 2021)	2/2*
Dato' Othman Semail (ceased as member with effect from 20 March 2021)	3/4*
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah (re-designated from Member to Chairman with effect from 16 March 2021 and ceased as Chairman with effect from 25 April 2021)	5/5*
Puan Norazilla Md Tahir (appointed as Member with effect from 16 March 2021)	17/18*
Encik Ariff Rozhan (appointed as Member with effect from 14 April 2021, re-designated from Member to Chairman with effect from 11 May 2021 until 18 June 2021 and re-designated from Chairman to Member with effect from 14 July 2021)	17/17*
Encik Thomas Meow Yoke Nean Chairman (appointed as Member with effect from 2 June 2021 and re-designated from Member to Chairman with effect from 14 July 2021)	12/12*

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

» BCC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BCC during FY2021 include the following:

- Endorsed a financing facility amounting to RM1,080,000,000 to participate in a RM2,700,000,000 Syndicated Term Financing facility for the construction and development of a 1,200 Megawatt combined cycle gas-fired power plant and its related facilities.
- Deliberated on Danajamin's Guarantee Accounts.

Board Audit Committee

» Objective

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

» Functions and Responsibilities

The duties and responsibilities of BAC shall include the following:

- Recommend to the Board, each financial year, the appointment/re-appointment of External Auditors, the fee and other matters pertaining to the resignation or termination or change of External Auditors;

- Review, with the External Auditors:

- To recommend to the Board, the appointment, removal and remuneration of the External Auditor;
- To monitor and assess the independence of the External Auditors including by approving the provision of non-audit services by the External Auditors;
- To review the audit plan and audit report, monitor and assess the effectiveness of the external audit, including meeting External Auditors without the presence of Senior Management, at least annually;
- To ensure that Senior Management is taking necessary corrective actions, in a timely manner to address external audit findings, and making recommendations in their Management Letter and Management Response; and
- To maintain regular, timely, open and honest communication with the External Auditors, and requiring the External Auditors to report to the BAC on significant matters.

- With regard to the Internal Audit function:

- To review the adequacy of the scope, functions and resources of the Group Internal Audit function and Audit Charter, and that it has the necessary authority to carry out its responsibilities;
- To review and approve the internal audit plan, programme, processes, scope, procedures and frequency;
- To review key audit reports (including reports on internal controls, risk management processes, compliance with statutory requirements and governance practices) and ensure that Senior

- Management is taking necessary corrective actions, in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by Group Internal Audit, and other control functions;
- d. To recommend to BNRC and/or Board on the appointment, remuneration package, performance evaluation and termination of the Chief Internal Auditor;
 - e. To review the effectiveness of the Internal Audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards;
 - f. To review the assessment, or findings, arising from the Shariah audit and report the non-compliance events to the Shariah Committee and the Board;
 - g. To note significant disagreements between the Chief Internal Auditor and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
 - h. To establish a mechanism to assess the performance and effectiveness of the Group Internal Audit function.
- To receive and consider reports relating to the perpetration and prevention of fraud.
 - 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:
 - a. Any major changes in the accounting policy, or its implementation;
 - b. Adequacy of allowance against contingencies, bad and doubtful debts;
 - c. Significant and unusual events; and
 - d. Compliance with accounting standards and other legal requirements.
 - To ensure that the accounts are prepared in a timely and accurate manner and ensure prompt publication of the Audited Financial Statements.
 - To discuss any problem or reservations that may arise from the interim and final audits, as well as any matter, which the External Auditors may wish to discuss, in the absence of Management, where necessary.
 - To review and update the Board on all related party transactions, and conflict-of-interest 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:
 - a. Chairman's Statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements, in relation to the preparation of financial statements and other BAC reports that contain the following information, which shall be published in the Bank's Annual Report:
 - i. A summary of the activities of the BAC in the discharge of its functions and duties for the financial year; and
 - ii. A summary of the activities of the Group Internal Audit function
 - b. Interim financial reports and preliminary announcements in relation to the preparation of Audited Financial Statements.
 - To review and endorse the status and progress of Management's responses and corrective measures on issues raised in the 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 recommendations to the Board.
 - To deliberate on investigation reports in relation to whistleblowing cases, and decide on actions to be taken in accordance with the Group Human Resource (HR) policy.
 - To approve the TOR and appointment and/or termination of Members of Management Audit Committee.
 - To consider any other matters as referred by BPMB Board to BAC.
 - To monitor compliance with the Board's conflicts-of-interest policy.
 - To review third-party opinions on the design and effectiveness of the Group's internal control framework.

STATEMENT OF CORPORATE GOVERNANCE

» Committee Meeting and Attendance

Based on the TOR of the BAC, BAC shall meet at least four (4) times a year and at any ad-hoc meetings, as and when required. BAC met seven (7) times during FY2021. The Committee members and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Puan Norazilla Md Tahir (Chairperson)	7/7
Datuk Zaiton Mohd Hassan (ceased as member with effect from 18 February 2021)	1/1*
Encik Ariff Rozhan	7/7
Encik Thomas Meow Yoke Nean (appointed as member with effect from 29 July 2021)	3/3*

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

» BAC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BAC during FY2021 include the following:

- Approval of the Internal Audit Plan
- Endorsement of the Group Internal Audit Balanced Scorecard
- Review of TOR of MAC and BAC
- Endorsement of the appointment of a consultant for a Quality Assurance Review on Group Internal Audit of BPMB
- Endorsement of the interim unaudited financial statements and the financial statements for the financial year ended 31 December 2020
- Assessment of "The function effectiveness in discharging its duties" KPI for Group Internal Audit
- Endorsement of the performance evaluation of the Chief Internal Auditor and employees at C-2 positions in Group Internal Audit
- Updates on New Audit issues and Outstanding Audit Issues from previous Internal Audit Reports
- Status update on Bank Pembangunan Malaysia Berhad and Its Subsidiaries – Memorandum of Recommendation (MOR)
- Review of Whistleblowing Report and Progress of Anti-Bribery Management System (ABMS)
- Update on Validation of Management Action Plan on BNM CRR 2019 by Group Internal Audit
- Endorsement BPMB Group – Audited Financial Statement for the financial year ended 31 December 2020, Dividend and Re-appointment of External Auditor
- New Audit Reports Issued
- Endorsement of Proposal for Partial Write-Off Exercise for Accounts Under Recovery for Year 2021

Board Nomination and Remuneration Committee

» Objective

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

- a formal and transparent procedure for the appointment, and/or re-appointment, as well as to assess the effectiveness of Key Responsible Persons, and the Company Secretary; and
- a formal and transparent procedure for developing a remuneration policy for Key Responsible Persons and the Company Secretary, and ensuring that compensation is competitive and consistent with BPMB Group's culture, objectives and strategies.

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

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

» Functions and Responsibilities

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

Nomination Function

- Establish and recommend to the Board for approval, the minimum required skills, experience, qualification and core competencies of a Director on the Board, and the P/GCEO, in order for them to perform their responsibilities effectively.
- Oversee the overall composition of the Board (BPMB and major subsidiaries), Board Oversight Committees and SC, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive and Independent Directors through annual reviews.
- Recommend, and/or assess, nominees for the appointment, re-appointment or resignation of the Board of Directors (BPMB and its major subsidiaries), P/GCEO, Board Oversight Committees and SC Members for the Board's approval. The proposed appointment or re-appointment of BPMB Board, P/GCEO and SC Members will require BNM's verification on meeting the necessary 'fit and proper' criteria, and the Minister of Finance's final approval, as the case may be. Assess and determine annually whether a Director fulfils the criteria of being an Independent Director.
- Establish a mechanism for the formal assessment on the effectiveness of the Board as a whole, the contribution of each

Director to the effectiveness of the Board, the contribution of the Board Oversight Committees, including SC Members and the performance of the P/GCEO, CEOs of major subsidiaries, Senior Officers and the Company Secretary. The annual assessment should be conducted based on objective performance criteria, as approved by the Board.

- Assess annually whether the Directors and P/GCEO are not disqualified under Section 7 of the Development Financial Institutions Act 2002, and recommend to the Board, the removal of a Director or the P/GCEO if he/she is ineffective, errant or negligent in discharging his/her responsibilities.
- Ensure that all Directors and SC Members undergo the appropriate induction programme, and receive continuous training in order to keep abreast of the latest developments in the industry.
- Assess the performance of the P/GCEO before submission to the Board of BPMB for approval.
- Oversee/recommend the following matters in relation to Senior Officers and the Company Secretary for the Board's approval:
 - New appointment/recruitment
 - Re-appointment
 - Renewal/non-renewal of contract
 - Conversion of employment status
 - Secondment to subsidiaries
 - Management succession planning
 - Performance evaluation

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

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

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

The removal of CEOs of major subsidiaries, shall be tabled to the Board of Directors, of the respective subsidiaries first, prior to BNRC for endorsement and the Board of BPMB for approval.

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

Remuneration Function

- Ensure that the overall remuneration system must
 - a. be subject to the Board's active oversight to ensure that the system operates as intended;
 - b. reflect the mandate of BPMB and align with the business, risk strategies and development priorities, corporate values

and long-term interests of BPMB Group;

- c. promote prudent risk-taking behaviour, and encourage individuals to act in the interests of BPMB Group, as a whole, taking into account the interests of its customers, and long-term financial sustainability of BPMB Group, without recourse to the Government;
 - d. accord appropriate emphasis to BPMB Group's developmental outcomes, taking into account demonstration, design and policy additionalities, in addition to financing outcomes; and
 - e. be designed and implemented with input from the control functions, and the Board Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.
- Recommend the remuneration policy of BPMB and conduct periodic review, especially when material changes are made to the policy for the Board's approval. The overall remuneration policy should be sufficiently competitive to attract, nurture and retain high quality talents to deliver BPMB Group's mandate successfully. The policy should consider the different skill sets, knowledge and experience required to support the business and risk strategies of BPMB Group.
 - Assess and recommend the emoluments and benefits of Board members, Board Oversight Committee members, SC members, P/GCEO, CEOs of major subsidiaries, Senior Officers and the Company Secretary for the Board's approval, subject to BPMB's Constitution and MOF Inc.'s approval, where applicable.
 - Endorse the remuneration for each Director, member of Senior Management, and other material risk takers, annually, for the Board's approval. BPMB shall maintain and regularly review a list of officers

STATEMENT OF CORPORATE GOVERNANCE

who fall within the definition of “other material risk takers”.

- Endorse the remuneration and benefits for the Directors of BPMB subsidiaries, based on recommendations by BNRC, for the Board's approval. The same shall be forwarded to MOF Inc. for notification.
- Assess and endorse the salary structure framework for employees in executive grades, and above, for the Board's approval. The salary structure is subject to the final approval of MOF Inc.
- Assess and recommend the Terms of Services, and new Terms for Executives and staff of BPMB Group, including the Collective Agreement between the Bank and the Union, for the Board's approval. The terms of the Collective Agreement are subject to the final approval of MOF Inc.
- Assess and recommend the proposed annual bonus payment for the P/GCEO. The payment is subject to the final approval of MOF Inc.
- Assess and recommend the pool for annual bonus/annual incentive/ annual ex-gratia and the payment of the annual bonus/annual incentive/annual ex-gratia payment for employees and other material risk takers, or other group-wide performance-related rewards and annual increment of the Group. The pool for annual bonus/annual incentive payment/annual ex-gratia payment is subject to the final approval by MOF Inc.
- Recommend the separation schemes for BOD's approval, and thereafter, for MOF Inc.'s final approval.

OTHERS

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

» Committee Meetings and Attendance

Based on the TOR of the BNRC, the BNRC shall meet once at least four (4) times a year and any ad hoc meetings, as and when required. BNRC met eleven (11) times during the FY2021. The Committee members and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Encik Ariff Rozhan Chairman	11/11
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah (ceased as Member with effect from 25 April 2021)	0/2*
Dato' Othman Semail (ceased as Member with effect from 20 March 2021)	2/2*
Dr. Mohamed Ashraf Mohamed Iqbal (ceased as Member with effect from 28 February 2021)	1/1*
Puan Norazilla Md Tahir	11/11
Tan Sri Mohamed Nazir Abdul Razak (appointed as Member with effect from 28 April 2021)	4/7*

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

» BNRC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BNRC during FY2021 included the following:

- Annual 'Fit & Proper' Assessment
- Proposed Appointment of Senior Management of BPMB Group
- Updates on Staff Movements, and the Appointments within BPMB Group
- Result of Assessment for the Purpose of Re-appointment as BPMB SC Member

Board Risk Management Committee

» Objective

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

» Functions and Responsibilities

The duties and responsibilities of BRMC include the following:

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

- To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- To provide effective oversight of Senior Management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework and implementation;
- To meet with BAC periodically, to ensure effective exchange of information 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, affect its ability to manage risks on an enterprise-wide and group-wide basis, and the implications for capital and funding strategies;

In relation to the position of Chief Risk Officer (CRO), BRMC is required to:

- a. establish an independent senior risk executive role (CRO or its equivalent), who has direct and unimpeded access to the Board and BRMC, and to allow for effective engagement with the P/GCEO and other members of Senior Management with sufficient stature, authority, seniority and distinct responsibility for the Group Risk Management function and framework across the entire organisation;
- b. recommend to BNRC and/or the Board, the appointment, performance evaluation and termination of the CRO;

- c. engage CRO on a regular basis, and provide the opportunity for CRO to meet with BRMC and discuss issues faced by the Group Risk & Compliance function;
- d. in relation to item (c) above, BRMC may consider engaging CRO without the presence of other Senior Management individuals from time to time; and
- e. ensure that CRO is supported with sufficient resources, including competent officers, to perform his/her duties effectively.

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

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

- To oversee the management of BPMB Group's compliance risk. In order to fulfil this duty, BRMC 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 BRMC's agenda to deliberate on 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, with regard to the assessments of Senior Management and Group Internal Audit, as well as interactions with CCO, at least on an annual basis.
- To deliberate on investigation reports in relation to whistleblowing cases, and decide on actions to be taken on the alleged individuals in accordance with Group HR policy.
- To approve the appointment and/or termination of members and TOR of Management Risk Committee and Asset & Liability Committee.
- To consider any other matters as referred by the BPMB Board to BRMC.

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» Committee Meetings and Attendance

Based on the TOR of the BRMC, the BRMC shall meet once every two months. BRMC met 14 times during the FY2021. The Committee members, and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Puan Norazilla Md Tahir (appointed as Chairperson with effect from 1 March 2021)	14/14
Encik Ariff Rozhan (appointed as Member with effect from 1 March 2021)	11/12*
Encik Thomas Meow Yoke Nean (appointed as Member with effect from 2 June 2021)	8/8*
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah Chairman (ceased as Member with effect from 25 April 2021)	4/5*
Dr. Mohamed Ashraf Mohamed Iqbal (ceased as Member with effect from 28 February 2021)	1/2*
Datuk Zaiton Mohd Hassan (ceased as Member with effect from 18 February 2021)	2/2*

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

» BRMC's Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BRMC during FY2021 included the following:

Report

- Risk Dashboard (Credit Portfolio Report, Asset/Liability & Liquidity Management Report and Operational Risk Management Report);
- Business Impact Analysis & Risk Assessment Report;
- Monthly Economic Report;
- Report on Legal Action;
- Management Review Report on the Anti-Bribery Management System;
- Periodic Reporting to Malaysia Anti-Corruption Commissioner;
- Group Compliance Report and Compliance Review Report;
- Annual Compliance Review Assessment Report;
- Report on Financing Facilities with Connected Parties;
- Key Risk Indicators (KRIs) Review;
- Interim Credit Review;

- Review of Stress Test Methodology;
- Review of 12th Malaysia Plan;
- Review on Mitigated Financing;
- Risk and Control Self-Assessment Report;
- Review of Risk Appetite Statement and Tolerance Level;
- Review Report on the Anti-Bribery Management System (ABMS).

Governance, Framework

- The Authority for Credit Administration Matters (ACAM) & Authorised Signatories for Credit Matters;
- Guidelines on Identifying Customer's Related Party Transactions;
- Review of the Reputational Risk Management Policy
- Review of Fraud Risk Management Policy;
- Establishment of Responsible, Accountable, Consulted & Informed (RACI) Matrix;
- Procurement Process and Walkthrough on the Procurement Process;

- Climate Change Risk and Establishment of Climate Change Risk Framework;
- Establishment of Sustainable Development Sukuk Framework;
- Group Compliance Framework;
- Review of Market Risk Management Framework;
- Review of Asset and Liability Committee Terms of Reference;
- Treat Customers Fairly Charter Revision 3.

Proposal, Plan, Compliance, etc

- BNM Composite Risk Rating;
- Status Update on Risk Appetite Statement and Tolerance Level;
- BASEL III Compliant Tier 2 Capital Sustainable Development Goals Sukuk Programme;
- Principal Terms & Conditions of National Development Scheme;
- Capital Contingency Plan;
- Group Stress Test result;
- Risk Appetite Statement and Tolerance Level;
- Revision on Operational Risk Integrated Online Network (ORION);
- Technology Security Posture Monitoring for Bank Pembangunan Malaysia Berhad Group;
- Assessment for the Application of Contingency Funding Plan Counter Measures for FY2021;
- Annual Attestation of BPMB's Compliance with BNM's Policy Document on Introduction of New Products;
- HQLA: Assessment and Impact on Interest Rate/ Profit Rate Hike;
- Macroeconomics Overview and Risk Assessment;
- Investment Proposal through MicroLEAP's Peer-to-Peer Financing Platform.

Certification

- Anti-Bribery Management System (ABMS) Manual;
- MS ISO 37001 ABMS System Audit by SIRIM.

Board Information Technology Committee

» Objective

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

» Functions and Responsibilities

The duties and responsibilities of BITC include the following:

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

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

» Committee Meetings and Attendance

Based on the TOR of the BITC, BITC shall meet at least four (4) times a year, and for any ad hoc meetings, as and when required. BITC met nine (9) times during FY2021. The Committee members and their records of attendance are as follows:

Name of Director	No. of Meetings and Attendance
Dato' Wan Mohd Fadzmi Che Wan Othman Fadzilah (ceased as Chairman with effect from 25 April 2021)	2/2*
Dato' Othman Semail (ceased as Member with effect from 20 March 2021)	2/2*
Dr. Mohamed Ashraf Mohamed Iqbal (ceased as Member with effect from 28 February 2021)	1/1*
Encik Ariff Rozhan (appointed as Member with effect from 25 February 2020 and re-designated from Member to Chairman with effect from 3 March 2021)	9/9
Puan Norazilla Md Tahir	9/9
Encik Thomas Meow Yoke Nean (appointed as Member with effect from 29 July 2021)	4/4*
Encik Othman Abdullah (appointed as Member with effect from 28 October 2021)	2/2*

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

» BITC Deliberations

Areas/matters reviewed, deliberated, endorsed and approved by BITC during FY2021 included the following:

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

STATEMENT OF SHARIAH GOVERNANCE

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

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

SHARIAH COMMITTEE

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

» Composition and Background

In line with BNM's SGPD, the Shariah Committee comprises five (5) members where a majority i.e. four (4) members are Shariah qualified, while one (1) member comes from a non-Shariah background, but possesses the required skills, knowledge and experience relevant to support the roles and responsibilities of the Shariah Committee. A brief profile of each Shariah Committee member is presented on pages 43 to 45 of the Annual Integrated Report.

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

» Duties and Responsibilities

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

1. To ensure any delegation of oversight to Shariah Committee by the Board on Shariah matters is exercised in conformity to any prescribed regulations that may, from time to time, be imposed by the regulator.
2. To advise the Senior Management and the Board 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 including:
 - The terms and conditions contained in the forms, contracts and agreements used in executing the transactions;
 - The guidelines, manuals and procedures in relation to the products and services, schemes and funds offered by BPMB; and
 - The product manual(s), disclosure sheets, sales illustrations and brochures used to describe the products.
 - b. Shariah-related policies and procedures, prepared by BPMB Group and the contents therein do not have any elements which are not in line with Shariah.
4. To provide a decision or advice on the operations, business, affairs and activities of BPMB Group which may trigger a Shariah non-compliance event.
5. To deliberate and affirm a Shariah non-compliance finding reported by Shariah review and Shariah audit.
6. To endorse a rectification measure to address a Shariah non-compliance event.
7. To provide disclosure in BPMB Group annual report on the following information:
 - a. Shariah Committee's roles, responsibilities and accountabilities relating to Shariah governance and compliance in BPMB Group; and
 - b. Shariah Committee's opinion on the state of BPMB Group's compliance with Shariah, based on Shariah non-compliance reports provided by Shariah review and Shariah audit.

8. To endorse the disclosed information in BPMB Group annual report that:
 - a. All transactions for the reporting year are Shariah-compliant;
 - b. The allocation of profit and charging of losses relating to investment accounts, if any, are Shariah-compliant;
 - c. All earning(s) which are declared as Shariah non-compliant is to be derecognised and channelled to charity;
 - d. The computation and distribution of zakat is in compliance with Shariah.
 - e. Any other relevant information, as may be required and necessary from time to time.
9. To uphold and observe corporate governance and compliance with the relevant legislation, rulings, regulations and guidelines issued by BNM and Securities Commission.
10. To provide a decision or advice to BPMB Group on the application of any rulings of the Shariah Advisory Council (SAC) or standards on Shariah matters that are applicable to the operations, business, affairs and activities of BPMB Group.
11. To update the Board immediately on Shariah issues or matters that Shariah Committee has reason to believe may affect the safety and soundness of BPMB Group, and to recommend suitable measures to rectify such situations.
12. To constantly develop reasonable understanding of the business and operations of BPMB Group, as well as knowledge on finance in general, and Islamic finance, in particular. In addition, the Shariah Committee is to keep abreast with the relevant market and regulatory developments.

MEETINGS AND ATTENDANCE

The Shariah Committee meetings are held once a month, in line with the requirement under BNM's SGPD. The Shariah Committee meets to discuss and monitor, among others, the overall Shariah compliance matters of BPMB. Prior to the meetings, the notice, agenda and papers/proposals to be deliberated for each Shariah Committee meeting, will be distributed to all members of the Shariah Committee by the Group Shariah Management which acts as the secretariat to the Shariah Committee. The minutes of the Shariah Committee meetings will also be circulated to the Management committee and the Board for notification.

During the financial year ended 31 December 2021, 12 Shariah Committee meetings have been conducted. The meeting attendance of all members of the Shariah Committee are recorded as follows and all Shariah Committee Members have attended at least 75% of Shariah committee meetings in the financial year:

Name of Shariah Committee Members	No. of Meetings and Attendance
Associate Professor Dr. Aznan Hasan (Chairman)	12/12
Dr. Ahmad Basri Ibrahim	12/12
Ustaz Mohd Fadhly Md Yusoff	11/12
Professor Dr. Zurina Shafii* (replacement for Associate Professor Dr. Noraini Mohd Ariffin)	8/9
Dr. Syahnaz Sulaiman* (replacement for Associate Professor Dr. Miszairi Sitiris)	9/9
Associate Professor Dr. Miszairi Sitiris**	3/3
Associate Professor Dr. Noraini Mohd Ariffin**	3/3

* Newly appointed w.e.f. 1st April 2021.

** Term ended w.e.f. 31st March 2021.

» Training and Development of Shariah Committee Members

The newly appointed members of the Shariah Committee have attended an induction programme arranged by the Group Shariah Management in order to provide the new members with the overall understanding of BPMB businesses and operations. The members of the Shariah Committee, with exception of the Chairman, who had been granted an exemption, were also enrolled in the Certified Shariah Advisor (CSA) and the Certified Shariah Practitioner (CSP) programmes administered by the Association of Shariah Advisors in Islamic Finance (ASAS). One of the Shariah Committee members has successfully completed modules in Level 3 of the programme. In addition, the Shariah Committee members also attended selected local trainings as part of their competency development programme.

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

STATEMENT OF SHARIAH GOVERNANCE

SECRETARIAT FUNCTION

- Group Shariah Management is designated as the secretariat to the Shariah Committee and bears the responsibility of providing operational support for effective functioning of the Shariah Committee.
- Group Shariah Management is structured to carry three (3) main roles and responsibilities:

Roles	Responsibilities
 Shariah Advisory & Research	- Responsible for providing Shariah advisory service to relevant stakeholders and entities within BPMB Group - Responsible for supporting stakeholders on the Shariah aspects of Islamic finance business, based on the rulings and resolutions issued by BNM's SAC and Securities Commission's SAC and advice, precedents and decisions of BPMB's Shariah Committee - Responsible for performing in-depth Shariah research and studies on Shariah issues - Responsible for serving as the secretariat to the Shariah Committee in undertaking related administrative matters such as coordinating meetings, compiling proposal papers and disseminating Shariah committee decisions to relevant stakeholders within BPMB Group - Responsible for matters regarding the appointment/re-appointment/ cessation/ disqualification of the Shariah Committee and their trainings
 Shariah Documentation Review	- Responsible for providing advisory service on Shariah-related matters or products by reviewing relevant legal documentation and proposed transaction agreements, and the proposed policies, guidelines and procedures from internal stakeholders to ensure compliance with the approved Shariah principles and decisions - Responsible for coordinating BPMB Group's projects and initiatives in relation to the implementation of requirements under the SGPD
 Zakat Management	Responsible for the management, payment and distribution of business zakat in compliance with the established rulings to ensure efficiency and effectiveness of business zakat management and distribution

INTERNAL CONTROL FUNCTIONS

a. Group Risk Management

Guided by the Shariah Risk Management Guideline, the Bank has been continuously implementing measures in managing Shariah Non-Compliance Risk through execution of the relevant tools namely the Risk and Control Self-Assessment (RCSA), and Shariah Non-Compliance Event Reporting and Key Risk Indicators (KRI).

Group Risk Management continued to monitor the Bank's KRI, which include the Shariah KRI comprising of 13 indicators; with five (5) leading and eight (8) lagging Shariah KRIs. The Shariah KRIs are tracked and reported to the Shariah Committee on a monthly basis.

There were no significant Shariah Non-Compliance events reported for financial year 2021. There was an internal Shariah Non-Compliance KRI triggered for seven (7) months during the financial year i.e. number of Shariah-related compliance and audit findings, which were derived from the Compliance Review and Shariah Audit on their respective scopes. Tracking on the proper closure of the issues highlighted have been on-going and most issues had been resolved within the agreed timeline. Notwithstanding, Group Risk Management via Operational and Shariah Risk Function will continue to enforce adequate and competent resources and controls to ensure that the Bank is compliant with Shariah requirements.

With regards to the initiatives undertaken on Shariah Risk awareness to all staff, there were, in total, 10 publications of series on Shariah-related information via Group-wide email communication named as Shariah Risk Learning Programme throughout the year. There were three (3) sets of digital quizzes issued, pursuant to the knowledge shared in the infographic

emails, to gauge staff understanding. The Shariah Risk Learning Programme elevates the level of knowledge and awareness in Shariah risks, to ensure proper controls are in place with no recurrence of Shariah Non-Compliance events. Group Risk Management continues to develop e-learning programmes to strengthen the Shariah-compliant culture of the Bank.

b. Group Compliance

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

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

This structured process includes Shariah review activities which are based on the annual plan approved by the relevant authority including the Shariah Committee. In developing the plan, Compliance Review Unit annually performs Compliance Review Risk-Based Assessment (CR-RBA) to ascertain the Shariah review subjects to be reviewed in the succeeding year.

Subsequently, the outcome of Shariah review activities shall be reported periodically to the relevant internal committees including the Shariah Committee.

In 2021, the Compliance Review Unit had successfully introduced a new assessment report, namely the Annual Compliance Review Assessment Report (ACRAR). The purpose of this report is to provide the overall conclusion of the compliance reviews conducted in the previous year. This report will be produced on an annual basis and tabled at the Senior Management, Shariah Committee and Board of Directors meeting for deliberation on the conclusions obtained. The conclusions include, but not limited to, an area of compliance review that has the highest number of issues, area of compliance review that has the highest risk to BPMB Group and common root cause(s) that require BPMB Group's attention.

c. Group Internal Audit

The Group Internal Audit function bears the responsibility of ensuring a sound and effective internal control system for Shariah compliance in the Bank. The Shariah Audit Section under Group Internal Audit is primarily responsible for providing independent assessment and objective assurance that add value and improve the degree of compliance concerning Islamic business operations.

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

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

The Shariah Committee noted that Group Internal Audit through Shariah Audit Section had conducted the following Shariah audit as part of the Shariah audit plan for the year 2021:

1. Shariah Audit Report on Product Development.
2. Shariah Audit on Rescheduling & Restructuring, Recovery and Litigation of Financing Facilities.
3. Shariah Audit on Implementation of Shariah Governance in Operational & Shariah Risk Management of BPMB.
4. Shariah Audit on Implementation of Shariah Governance in Shariah Review Function.
5. Shariah Audit on Implementation of Shariah Governance in Group Shariah Management.



Please refer to Shariah Committee's Report of Audited Financial Statement (AFS) FYE 31 December 2021 on pages 113 to 118

STATEMENT OF INTERNAL CONTROL

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

RESPONSIBILITY

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

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

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

KEY INTERNAL CONTROL PROCESSES AND STRUCTURES

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

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

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

- Identifying and evaluating the risks faced towards the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks;
- Monitoring the effectiveness of the 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 were carried out, based on the annual audit plan as approved by the Board Audit

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

COSO Internal Control Framework
Control Environment
Risk Assessment
Control Activities
Information & Communication
Monitoring Activities

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

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

» Audit Issue Resolution Committee (AIRC)

The AIRC is a Management-level committee, chaired by the Chief Internal Auditor (CIA), which meets once every two (2) months, or as and when required. The AIRC facilitates the BAC to discuss the findings and recommendations by the internal auditors and monitors the execution and implementation of action plans by the Management to resolve the audit issues, including the recommendations made by the BAC. Minutes of the AIRC meetings are tabled to the BAC together with the audit reports.

» Board Audit Committee (BAC)

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

OTHER INTERNAL CONTROL PROCESSES AND STRUCTURES

The other key elements of the procedures established by the Board to provide effective internal control include keeping abreast with the developments in the areas of risk and governance.

This is to ensure its effectiveness in safeguarding stakeholders' interests and the Group's assets:

» Business Plan and Performance Review

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

» Board Committees

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

» Management Committees

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

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

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

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

BPMB's Group Risk Management (GRM) provides oversight and support 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 risk challenges. In 2021, GRM continued to support the Group in meeting its strategic and business objectives, as governed by the Board and Management oversight roles and responsibilities.

Reflecting on the year, it has been among the most challenging, as the COVID-19 pandemic continued to bring disruption and uncertainty to not only our Bank, but the whole nation. Nevertheless, we continued to be guided by our values as a development Bank, and stayed true to our purpose of supporting the national agenda.

GRM remains committed to being an active assurance partner ensuring portfolio sustainability by enhancing operational resilience with risk-informed solutions. Moving forward, the Bank identified two risks that may require immediate attention and mitigations as follows:

a. Projected downside risk

- There is still a high degree of uncertainty over the pandemic path, with the recent emergence of a new strain of the virus.
- The supply chain crisis that has been disrupting global production and shipping may be prolonged well into 2022 and become more pronounced.
- Domestic demand waning much faster in response to the impact of the likely pullback in policy stimulus in many developed countries.

- Continued dependence on the public sector but the fiscal position would be constrained by the Medium term Fiscal Framework (fiscal deficit/GDP ratio at 5.0% of GDP by 2024). This may pose a tough balancing act with possible negative implications.
- Any meaningful boost from the allocated development expenditure may only materialise in 2023 – 2024, but that would depend on the fiscal position at the end of 2022. It is most likely the development expenditure in 2023 would not be raised significantly from 2022 level.
- Given the uncertainties, businesses may continue to hold back on making new investments.

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

b. COVID-19 related risk

The COVID-19 outbreak in Malaysia started in January 2020 with case numbers escalating in early March 2020. BPMB has been actively engaged in the ongoing effort responding to the COVID-19 pandemic, guided by the principles of ensuring the well-being of our clients and colleagues and maintaining the Bank's operational and financial resilience. From a risk management perspective, COVID-19 carries with it several aspects of risk that cuts across many risk management functions. Collectively, our various risk management functions have been proactively tackling the various risks created by the pandemic as follows:

INITIATIVES UNDERTAKEN TO REDUCE RISKS CREATED BY THE PANDEMIC

Functions / Unit	Initiatives
Credit Risk	The Bank has been proactively managing accounts affected by the pandemic by providing various relief packages which include, among others, payment moratorium, additional grace period and/or rescheduling and restructuring of facilities. In addition, the Bank has also been pre-emptively setting aside provisioning buffers with total provisions accounting for 16.87% and 17.27% of total gross financing for 2020 and 2021 (subject to finalisation of statutory audit)
Operational & Shariah Risk	• Implemented split operation arrangement i.e. HQ and alternate site • Introduced alternate working arrangement i.e. split management team, work from home (WFH) • Established threshold limit for those working in office (WIO) • Enforced COVID-19 self-test kit prior WIO • Established virtual meeting guideline Note: The Flexible Working Location (FWL) arrangement and guideline was established by GHR while infrastructure to support FWL was implemented by IT.
Credit Portfolio & Policy Management	• Enhanced portfolio monitoring on selected portfolio i.e. pre-watchlist, adverse affected sectors, major customer groups etc • Scrutinised the portfolio for any warning signals from internal data and external news especially for customers under watch • As the performance of sectors in response to pandemic varied from one to another, thorough analyses were carried out to evaluate sectors versus customers that may require assistance • Managing the portfolio exposure, particularly customers with high undrawn amount • Close monitoring of high-risk accounts (HRA) to prevent potential new impairment as well as credit downgrades
Market Risk	• Close monitoring of Early Warning Indicator (EWI) and Mark to Market (MTM) monitoring • Simulation on LCR stress test and forecast in Asset and Liability monthly report

1. GROUP GOVERNANCE & RISK MANAGEMENT FRAMEWORK (GROUP GRM FRAMEWORK)

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

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

GROUP RISK MANAGEMENT

2. RISK MANAGEMENT PRINCIPLES

Risk management is a management process that stimulates the cost-effective accomplishment of the organisation's objectives, and the purpose of risk management is the creation and protection of value. BPMB risk management principles are guided by eight principles as follows:

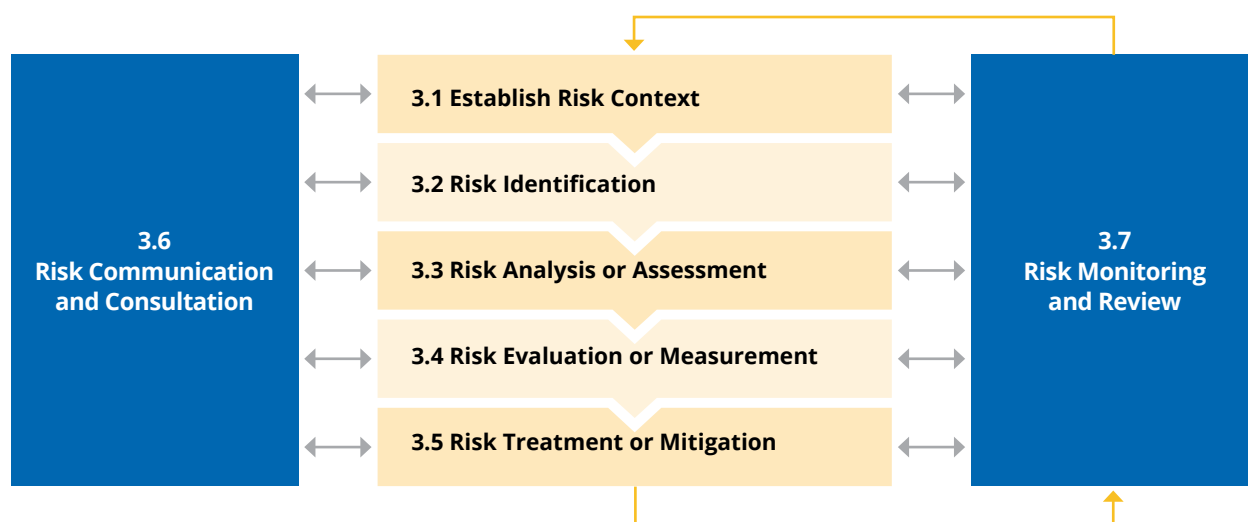
1 Integrated	The organisation integrates risk management in all of its activities.	5 Dynamic	Cognisant that both internal and external changes happen, risk management is able to detect and respond to those changes appropriately.
2 Structured and comprehensive	The risk management is anchored upon a structured and comprehensive approach.	6 Best available information	Risk management accounts for any limitations and uncertainties regarding the provided historical and current information and future expectations.
3 Customised	The risk management is linked to the organisational objectives, and is tailored to fit the organisation's context.	7 Human and cultural factors	Both human behaviour and culture heavily influence risk management, therefore these two characteristics are taken into account in all aspects of risk management.
4 Inclusive	The risk management includes the necessary stakeholders and takes into account their knowledge, views and perceptions.	8 Continual improvement	The organisation's risk management is constantly reviewed and improved.

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 through its annual Risk Plan. These include:

- i. Driving sustainable and quality asset growth – through effective risk management, managing asset growth and reducing impairment;
- ii. Delivering client convenience and reliability – by intensifying client focus 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;
- iii. Ensuring effective and efficient risk governance and oversight – by promoting a risk awareness culture and strengthening the lines of defence through the Group GRM Framework and group wide implementation of risk governance process, monitoring and reporting;
- iv. Improving business and support processes – by having a strong infrastructure in place to support operations;
- v. Strengthening execution infrastructure – by either strengthening and/or streamlining capacity and capabilities of existing Risk units; and
- vi. Building organisational capabilities by:
 - creating a group-wide performance culture;
 - strengthening execution capabilities;
 - establishing highly effective performance and talent management processes;
 - assembling/building a leadership pool and pipeline to realise the Bank's aspirations;
 - increasing external recruitment to increase the talent pool;
 - training employees to increase risk awareness and understanding of risk management; and
 - adopting a 'risk aware' and 'compliance culture' as part of the organisational work culture.

An overview of the Risk Management Process is depicted below:



» 3.1 Establish Risk Context

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

- External Context – Define the relationship between their own functions and BPMB's business and operational environment, by identifying or determining the crucial elements that may support or impair their ability to manage their own risks, such as regulatory and market conditions; and economic, environmental and social elements.
- 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.
- 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. This involves the identification 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

- 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.
- Identified risks should be monitored, and regularly reviewed, to ensure they remain adequately controlled or mitigated.
- 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.

GROUP RISK MANAGEMENT

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



RISK APPETITE STATEMENT AND TOLERANCE LEVEL (RASTL)

The Bank's RASTL can be defined as below:

- The Bank's willingness and ability to take risks (Risk Capacity) to achieve its strategic objectives, while considering, a longer-term view on the Bank's continuing ability to meet its obligations towards stakeholders and shareholders; and
- The Bank's acceptable tolerance limits, around specific risks, in executing its business strategies, risk preferences for any significant activities of the Bank, and is consistent with the available skills and resources in managing, and monitoring the risks exposure within the Bank.

The extent of these exposures has taken into consideration the various quantitative financial metrics and non-financial parameters. Proper governance and reporting of these risks shall be adhered to, and escalated further to support the informed decision-making process. It draws the line between acceptable and unacceptable risks within the Bank's capacity. Therefore, the Risk Appetite Statements shall be reflective of the Bank's operating environment, strategy, business plans and shareholder expectations. It should be dynamic and set within a specific timeframe.

The RASTL primary objectives are:

i. Protecting and creating value for the business

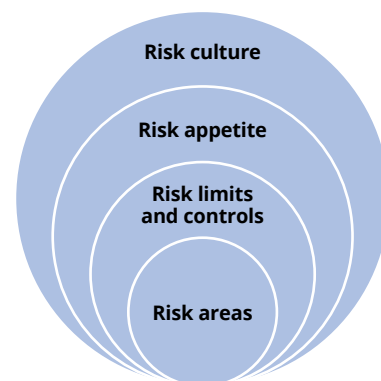
Assist Senior Management and Board of Directors (Board) in making informed decisions to maximise the risk-adjusted return for the shareholder and to provide guidance in the strategy development and business plans of the Bank (such as new funds development, pricing strategies, credit risk mitigation for selective strategic lending relationships, availability of relevant technology or support system, relevant skills requirements and resources planning).

ii. Integrating into business strategies and risk culture

Assist Senior Management and Heads of Division or Department with their respective risks monitoring and tracking, appropriate risk mitigations and action plans, to facilitate timely ratification once the position reaches Management Action Trigger (MAT) and/or timely remedial actions to be taken once the position is in excess of the appetite limits, as well as appropriate escalation (or reporting) to the Board and Senior Management.

iii. Ensuring consistency between risk appetite statements and risk tolerance or limit

Assist Senior Management and Board to properly align the risk appetite with the risk tolerance or limits for respective risk areas, within the Bank's business activities and operations.



The Statements shall be reviewed regularly, at least annually, to ensure it continues to be relevant and responsive to changes in the Bank's business directions and activities, operating environment and overall risk profile.

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

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

Risk Appetite Categories	Risk Areas
Capital Adequacy	Risk Weighted Capital Ratio
Asset Quality	- Loan/Financing Asset Quality - New Commercial Loan/Financing Rating - Gross Impaired Loan Ratio (GIL) - Subsectors to be avoided (Commercial)
Liquidity	- Bank Negara Malaysia (BNM) New Liquidity Framework - BNM Liquidity Coverage Ratio (LCR) - BNM Net Stable Funding Ratio (NSFR)
Market Risk	- Earnings-at-Risk (EaR) - Economic Value of Equity (EVE) - Investment Securities Exposure
Operational Risk	- Operational Loss - Shariah Non-Compliance (SNC)
Strategic	- Debt Rating - Risk-adjusted Profitability (Net Financing Margin – NFM)

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	Information and Technology Risk
	Reputational Risk	Strategic Risk
	Regulatory Risk	Disease Outbreak Risk
	Shariah Non-Compliance Risk	Subsidiary Risk
	Climate Change Risk	

GROUP RISK MANAGEMENT

The respective principal risks are briefly described as follows:

Risk	Description
 Credit Risk	Risks arising from the following: Default risk – risk arising from the inability or unwillingness of a counterparty to discharge its repayment/payment contractual obligations; 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; and Settlement risk – risk arising from the lag between the value and settlement dates of securities or financial instruments transactions.
 Concentration Risk	Risks arising from the following: Concentration on assets portfolios – risk of losses associated with inadequate diversification of assets portfolios; Concentration on business portfolio – risk of financial loss due to having written-off large proportions of business in the same or similar risk profile.
 Operational Risk	Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards.
 Market Risk	Risk that BPMB Group will suffer loss 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 rates/ profit rate, investment securities prices, foreign exchange rates etc. Market Risk is generally categorised as: Interest Rate Risk/ Profit Rate Risk – exposure of a bank's financial condition to adverse movements in interest rate/ profit rate. Foreign Exchange Risk – the risk of loss of earnings arising from adverse changes in the foreign exchange rates. Equity Risk – potential for adverse changes in the value of an entity's equity related holdings. Commodity Risk – risk of financial losses due to the fluctuation in prices of commodities e.g. gas, metal, grains etc.
 Information and Technology Risk	Risk emanating from the use of information and communication technology. These risks arise from failures or breaches of technology systems, applications, platforms, infrastructure and services which could result in financial loss, disruption in financial services or operations, or reputational harm to the BPMB Group. The sub-categories of technology risk can be defined as follows: IT Risk – risk associated with the use, ownership, operation, involvement, influence and adoption of IT within BPMB Group. It consists of IT-related events and conditions that could potentially affect the business operations. The IT risks are commonly related to IT infrastructure, operations and management; Information Security (IS) Risk – risk associated with application system when the system is unable to preserve integrity, confidentiality and availability of the information stored within the application system, as well as relevancy of the application system to BPMB Group; and Cyber Risk – risk associated with exposure or losses, resulting from digital incidents caused by internal, external or third parties including theft, compromised integrity and/or damage to information and/or technology assets, internal or external fraud and business disruption. Cyber risk includes cyber-crime, cyber-terrorism, accidental loss of confidential data, as well as liability for BPMB Group's online activities.

Risk	Description
 Liquidity Risk	Risk that the BPMB Group will be unable to secure necessary funding, due to deteriorating financial condition or a similar reason, and will, therefore be unable to meet cash flow requirements, or that it will suffer a loss because it is compelled to pay interest rates/profit rates significantly higher than normal rates to secure funding.
 Reputational Risk	The potential loss to financial capital, social capital and/or market share resulting from damages to the BPMB Group's brand or reputation.
 Strategic Risk	Risk that BPMB Group's business strategy is derailed, or that it is unable to implement or execute its strategy that shall adversely impact the production and profitability of the business going forward.
 Regulatory Risk	Risk that unanticipated new or change of acts, and/or regulations, will require changing business practices that may lead to financial loss to BPMB Group.
 Disease Outbreak Risk	Refers to the threat of epidemics of infectious diseases that have spread through the human population across a large region (or over several countries or continents), e.g. COVID-19, MERS-CoV, SARS, Influenza.
 Shariah Non-Compliance Risk	Risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which BPMB may suffer arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia (SAC), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA and Section 33E(1) of the DFIA, or decisions or advice of the Shariah Committee.
 Subsidiary Risk	The risk assumed by BPMB Group's subsidiaries, which may have a direct or indirect, financial or non-financial impact to the BPMB Group. It may be peculiar/pertinent and exclusive to each subsidiary. The risks may include credit risk, operational risk, market risk, capital risk, investment risk, reputational risk etc. However, the list is non-exhaustive.
 Climate Change Risk	Climate change can be described as significant long-term change in the expected patterns of average weather of a region (or the whole Earth) over a significant period of time. Climate Change Risk is generally categorised as: a. Physical risk Arises from climate-related events that damage property, reduce productivity and disrupt trade. Physical risks directly impact the continuity of business operations and economic activities, which in turn increases credit risk to financial institutions when revenue generating capacity and credit worthiness of borrowers are materially impacted. Physical risk also impacts collateral value, where assets, pledged as collateral to the Bank, could be destroyed or significantly damaged by climate events, impacting the recovery value. These risks are rarely well accounted for by the Banks, resulting in under-pricing risks of such climate-related occurrences. b. Transition risk Arises from transitioning to a lower-carbon economy which may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. The changes in the legal/ regulatory framework (e.g. disclosure requirement, implementation of carbon pricing), technological advancements (e.g. reducing cost of renewable energy) or consumer sentiments (e.g. certification scheme, fossil fuel divestment campaign) may translate into financial and/or reputational risk to financial institutions. c. Liability risk Refers to a client seeking compensation for losses they may have suffered as a result of the physical or transitional risk related to climate change. Liability risk is generally more applicable to Insurers and Takaful operators.

GROUP RISK MANAGEMENT

6. IMMEDIATE RISKS

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



a. Regulatory Changes and Requirements

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



b. Concentration Risk and Connected Lending

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

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



c. Cyber Security and Data Confidentiality

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

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



d. Movement in Interest Rates

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



e. Data

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



f. Changes in Market Structure and Growing Competition

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

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

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



g. Shariah Non-Compliance

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

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



h. Reputation

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

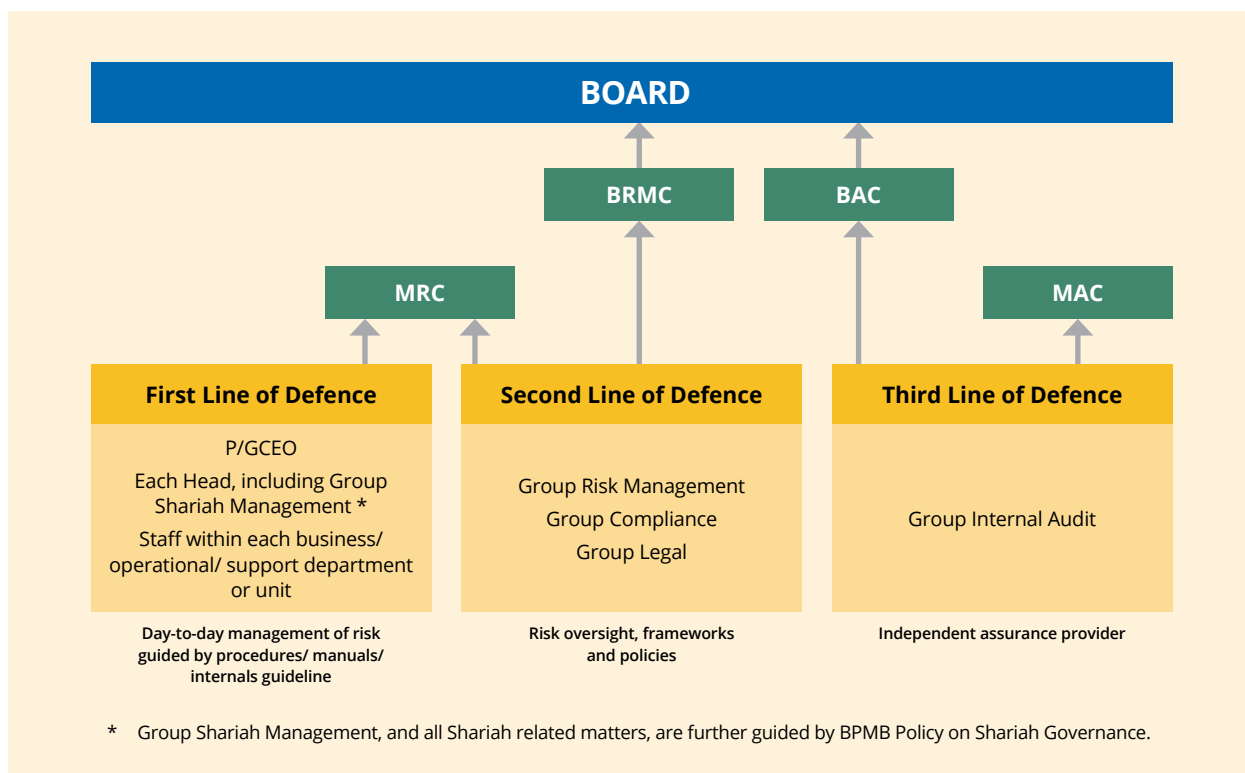


i. Climate Change

As part of the Bank's Environmental, Social and Governance (ESG) framework, the management continues to identify climate change risk as an emerging risk in 2020. Climate change risk refers to risk resulting from the effects of global warming. In 2021, BNM had published the Climate Change and Principle-based Taxonomy (CCPT), a framework that facilitates robust and consistent assessments of economic activities and their associated impact on climate mitigation, adaptation and the transition to low-carbon and/or more sustainable practices. As such, the Group has established the Climate Change Risk Framework in 2021 by adopting the CCPT issued by BNM.

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.



GROUP RISK MANAGEMENT

BPMB'S LINE OF DEFENCES

The governance structure and its roles and responsibilities are developed along the concept of the '3 Lines of Defence Model' which is structured to help explain the relationship of various functions in an organisation and how responsibilities differ.

Line of Defence	Description
1st <i>(broadly referred to as 'risk owners/ manager')</i>	Functions that own and manage risks - These functions are responsible for risk management processes including identifying, assessing, mitigating, treating and monitoring risks to ensure BPMB's corporate objectives are met. - These functions, being risk owners, should have the relevant skill-set, knowledge, experience and authority to operate relevant policies and risk mitigation procedures.
2nd <i>(broadly referred to as 'risk control functions')</i>	Functions, involved in compliance and overseeing management and compliance of risks, are as follows: - Ensure the risk management framework is in place and adequately supported with tools for effectiveness. - Provide and develop enterprise risk policies and frameworks, tools and support to enable risk and compliance to be managed by the 1st line. - Provide independent challenge to risk management conducted by the 1st line and risk monitoring; These functions, though independent from risk owners/operations, support the 1st line and conduct oversight to ensure compliance to the relevant regulatory requirements, policies and procedures, as well as ascertaining effectiveness of risk management by the 1st line. These functions have independent reporting lines from the 1st line.
3rd <i>(broadly referred to as 'risk assurance')</i>	Functions that provide independent assurance - Responsible for an independent review of the risk management framework and its operationalisation. - Conduct activities to provide risk assurance enabling operating effectiveness between the 1st and 2nd lines of defence.

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

Board of Directors

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

Board-Level Committees

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

Shariah Committee

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

Management-Level Committees

Management Risk Committee (MRC)	The MRC is a Management-level committee responsible for the management of all material risks within the Group.
Asset and Liability Committee (ALCO)	The primary objective of the ALCO is to perform primary oversight function and deliberate key issues related to asset and liability management, market, liquidity and capital risk.
Group Credit Committee (GCC)	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.
Executive Committee (EXCO)	The responsibilities of EXCO include, but not limited to, approving, reviewing, advising, guiding and making recommendations (where applicable) to the Board of Directors (Board) (of each company) for consent, concurrence or approval on: - Implementation and enforcement of business strategies, directives, action plans and budgeting in line with the mandated roles; - General management issues related to operational policies, guidelines, procedures, controls and systems; - Direct Corporate Investment in subsidiaries and associate companies; - Other operational issues (including, but not limited to, IT, Human Resources, Public Relations, Marketing, Advertisements, etc.); - Any other areas, as determined by the President/Group Chief Executive Officer, from time to time.

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

GROUP RISK MANAGEMENT

8. RISK AND COMPLIANCE CULTURE

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

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

Good risk culture consistently supports appropriate risk awareness, behaviours and judgements about risk taking within a strong risk governance framework. A good risk culture bolsters effective risk management, promotes appropriate risk taking, and ensures that emerging risks or risk-taking activities beyond risk appetite are recognised, assessed, escalated and addressed.

A good risk culture should emphasise the importance of ensuring that:

- a. An appropriate risk reward balance consistent with risk appetite is achieved when taking on risks;
- b. An effective system of controls, commensurate with the scale and complexity of the organisation, is in place;

- c. The quality of risk models, data accuracy, capability of available tools to measure risks, and justifications for risk taking can be challenged;
- d. All limit breaches, deviations from established policies, and operational incidents are investigated with proportionate consequence management when necessary.

9. STRESS TEST

The Group's Stress Test is conducted on a periodic basis as part of the risk management process. It serves as a forward-looking tool to facilitate the understanding of risk, based on current portfolios, that may arise due to various economic, political and/or environmental factors commensurate with the nature, size and complexity of the Group's business operations and risk profile. The Group's stress test scope and coverage includes on-and-off-balance sheet exposures (i.e. commitments, guarantees and contingent liabilities).

10. ACHIEVEMENTS/IMPROVEMENT FOR 2021

In the year 2021, Group Risk Management succeeded in completing the following initiatives:

Credit Risk

- a. Revision of credit assessment process for origination and credit reviews
- b. Implementation and rollout of enhanced credit risk rating model
- c. Review of Credit Rating Guide
- d. Implementation of customer selection and risk acceptance criteria for selected sectors
- e. Introduction of the Interim Credit Review

Market Risk

- a. Review of Asset and Liability Committee (ALCO) Terms of Reference
- b. Review of Contingency Funding Plan (CFP)
- c. Evaluation of the Application of Contingency Funding Plan (CFP) Countermeasures
- d. Review of Market Risk Management Framework
- e. Review of Counterparty Limits for FY2021/FY2022
- f. Review of Guideline on Market Risk Management
- g. Review of Guideline on Liquidity Risk Management
- h. Market and liquidity assessment: Revision of liquidity methodology in Liquidity Coverage Ratio (LCR). The treatment for deposit acceptance is assigned with runoff rate of 40% to Deposit Acceptance with remaining maturity of 30-days, which is in line with BNM LCR guideline
- i. Knowledge-sharing session with Treasury department on Market & Liquidity Risk Management Practice

Operational & Shariah Risk

- a. Strengthened foundation of operational risk through establishment and enhancement of governing framework/policy and its supporting guidelines based on new regulatory requirements and industry best practices such as the following:
 - Operational Risk Management Framework, including its operating tools;
 - Business Continuity Management Framework and Policy;
 - Crisis Management Plan (CMP);
 - Cyber Incident Response Plan (CIRP);

- Policy on Reputational Risk Management; and
- Policy on Fraud Risk Management.
- b. Strengthen cyber surveillance capabilities through implementation of Managed Security Services (MSS).
- c. Performed preparedness exercises which include Crisis Simulation Exercise (CDE) and Cyber Drill Exercise (CDE).
- d. Establish strategic and implementation plan for Alternate and Recovery Site.
- e. Embarking on automation of process for operational risk management.
- f. Strengthen the control and review activities for policy, guideline and procedure via sign-off review process including quality assurance and standard by Manual & Documentation.
- g. Continuous engagement and awareness to instil operational risk management culture with one-on-one ORLO engagement including focus group sessions.
- h. Dedicated learning module for Shariah Risk through series of infographic materials, to enhance the knowledge and understanding during business operations.
- i. Consolidated 12-Months Horizon operational risk reporting to signify overall operational risk profile of the Bank.

Risk Strategy & Analytics

- a. Review of Group Stress Test Methodology
- b. Review of Group Stress Test Framework
- c. Adoption of Climate Change Risk Taxonomy

- d. Establishment of Climate Change Risk Framework
- e. Establishment of Climate Change Risk Assessment Template to facilitate the identification and classification of the Bank's exposure, in accordance with BNM policy document.

Credit Portfolio & Policy Management

- a. Review of the Credit Portfolio Risk (CPR) Policy to include parameters/ measures for managing credit risk portfolio.
- b. Enhancement of CPR Report following the review of its policy for an effective and comprehensive analysis across the Bank's portfolio
- c. Review of the Guidelines on Best Practices for Single Counterparty Exposure Limit (SCEL) and Single Customer Limit (SCL)
- d. Review of the Financing Facilities with Connected Parties policy to complement governance requirement.
- e. Establishment of Related Party Transaction Guideline as part of best practices to monitor concentration and potential risk.

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

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

11. THE INTEGRATION OF DANAJAMIN

By the end of 2021, BPMB has completed the conditions precedent in the sale and purchase agreements (SPAs) for the acquisition of Danajamin Nasional Bhd. The merger is expected to strengthen the Bank and generate revenue and cost synergies over time as the two institutions increasingly share resources and integrate operations.

- **National Agenda**
Consolidation would increase the efficiency and effectiveness of the country's development finance ecosystem.
- **Experience and expertise**
Both entities have deep experience in providing capital market guarantees, BPMB since 2014 and Danajamin since 2009.
- **Competency**
Danajamin has a competent credit monitoring team which will complement BPMB's team upon the completion of the merger.

As a result of the integration exercise, in 2022, Group Risk Management is combined with Group Compliance, and is now called Group Risk and Compliance led by Chief Risk & Compliance Officer. The Credit Risk function is now known as Group Credit Risk and is led by the Chief Credit Officer.

STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS



Regulator

- Bank Negara Malaysia (BNM)



Key Ministries

- Ministry of Finance (MOF)
- Ministry of Tourism, Arts and Culture (MOTAC)
- Ministry of Science, Technology, and Innovation (MOSTI)



Government Agencies

- Malaysia Digital Economy Corporation (MDEC)
- Malaysia Investment Development Authority (MIDA)
- Ministry of Science, Technology & Innovation (MOSTI)
- Ministry of Tourism, Arts & Culture (MOTAC)
- Universiti Teknologi MARA (UiTM)
- Universiti Kebangsaan Malaysia (UKM)
- Universiti Putra Malaysia (UPM)
- Kumpulan Wang Persaraan (KWAP)
- National Anti Corruption Plan (NACP)

ENGAGEMENT PLATFORMS

We engage with BNM to ensure that BPMB's operations and business activities are aligned with and adhere to all requirements set by BNM.



Meetings



Forums



Dialogue Sessions



Presentations



Reporting

We engage with Key Ministries to understand Government concerns and expectations, as these would guide us in defining our priorities and initiatives as well as in delivering our mandate.



Meetings



Forums



Dialogue Sessions



Presentations



Government Programmes



Reporting

We constantly interact with the related Government Agencies to ensure that all Government aspirations are well communicated, supported and delivered.



Meetings



Forums



Dialogue Sessions



Programmes



Knowledge Sharing Sessions

KEY AREAS OF CONCERN	OUR ACTIONS
- Strengthen the financial sector's capacity in managing climate-related risks - Ability to measure impact for projects financed by the Bank – MIND Impact Assessment Framework - Adherence to all requirements stipulated by BNM - Cultivation of an ethical and risk-aware culture compliant with regulations	- Ongoing engagement with BNM - Financed 15 projects in the underserved sector categories identified by BNM - Became a member of the Joint Committee on Climate Change (JC3). JC3 is co-chaired by both BNM and the Securities Commission Malaysia - Adopted the Climate Change Taxonomy based on the BNM Discussion Paper on Climate Change and Principles-based Taxonomy was deliberated at the Board Risk Management Committee (BRMC). Subsequently, Climate Change Risk Framework was tabled and approved by the Board in July 2021 - Closely engaged BNM to promote and foster a greater understanding of the MIND Impact Assessment Framework implementation - Engaged World Bank Group to validate MIND Impact Assessment Framework and produce MIND scorecard - Incorporated all regulatory requirements into BPMB's Policies, Procedures and Guidelines and conducted continuous training and seminars throughout the year to ensure implementation of said requirements
- Support Government initiatives in reducing the pandemic impact on the "rakyat" - Assist the Government during the pandemic with more product offerings - Sustainable practices by other organisations	- Extended the Moratorium facility to affected customers - Submitted proposal on the National Budget 2022 to promote and advocate the Government's rehabilitation and support efforts through BPMB's Equity Scheme (RESET) of RM500 million, Working Capital Scheme of RM500 million and Malaysia Co-Investment Fund (MyCIF) of RM100 million - Engaged various organisations to cultivate and strengthen better understanding of current sustainability practices in Malaysia
- Catalyse the growth of Malaysia's Digital Economy - Promote the Bank's Special Schemes (SDFS, IDTS, PTS, MLS, TIS & NDS) - Promote MIND Impact Assessment Framework - Subject Matter Expert (SME) for impact assessment - Climate Change Parameter - Environmental Social and Governance (ESG) Assessment & Sustainable Financing - Fulfil the requirement by NACP to have a system that can assist BPMB to prevent, detect and respond to bribery incidences	- Signed MOU with Malaysia Digital Economy Corporation (MDEC) - Matched financing programmes with Malaysian Investment Development Authority (MIDA)'s incentives - Continued engagement with Ministry of Tourism, Arts & Culture (MOTAC) on the development of the Tourism Industry - Introduced MIND Impact Assessment Framework - Engaged Universiti Teknologi MARA (UiTM) as the SME in preparing Development Impact Report (DIR) - Developed Geographic Information System (GIS) Tool to monitor the Climate Change Parameters - Engaged Retirement Fund (Incorporated) (KWAP) to develop a better understanding of the ESG assessment in sustainable financing - Obtained certification from SIRIM Bhd on the Anti-Bribery Management System (ABMS)

STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS

**Strategic Partners**

- World Bank Group
- MicroLeap
- Taylor's University
- Sunway Group
- Employees Provident Fund (EPF)
- Malaysian Rating Corporation Berhad (MARC)
- PETRONAS
- AIR Selangor
- KfW-Germany
- CIMB
- Sarawak Energy
- UNITAR Capital Sdn Bhd
- Ministry of Public Works & Public Housing, Republic Indonesia

**Associations/Membership**

- Association of Islamic Banking and Financial Institutions in Malaysia (AIBIM)
- Vesselsvalue
- The United Nations Global Compact (UNGC)
- CEO Action Network (CAN)
- Association of Development Finance Institutions of Malaysia (ADFIM)
- Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

**Board**

- Board of Directors (BOD)
- Shariah Committee (SC)

ENGAGEMENT PLATFORMS

We maintain a good relationship with our strategic partners to leverage on their expertise and vast exposure in relation to BPMB's operation and business activities.

**Meetings****Forums****Programmes****Knowledge Sharing Sessions**

We engage with relevant Associations/Membership to strengthen working relationships and achieve common goals.

**Forums****Dialogue Sessions****Programmes****Knowledge Sharing Sessions**

We engage with the BOD to protect BPMB's interest, provide proper financial oversight and give guidance to meet BPMB's goals.

We engage with the SC for the guidance in advising BPMB on the operations and banking business in order to ensure that they are Shariah Compliant or are in line with Shariah Principles.

**Meetings****Forums****Programmes****Knowledge Sharing Sessions**

	KEY AREAS OF CONCERN	OUR ACTIONS
	- Financing of smart farming project - Promote MIND Impact Assessment Framework - Third party validation on BPMB's MIND Impact Assessment Framework - Production of MIND scorecard - Sustainable practices by other organisations - Support the Government's agenda in improving the socio-economic status of the community via quality education (SDG 4) - Infrastructure integration with ESG and the way forward for Malaysian Infrastructure	- Collaborated with MicroLeap on smart chilli farming project - Introduced MIND Impact Assessment Framework to various partners - Engaged World Bank Group to validate MIND Impact Assessment Framework and produce MIND scorecard - Engaged various organisations to cultivate and strengthen a better understanding of current sustainability practices in Malaysia - Signed MOU with UNITAR International University - Showcased BPMB's MIND Impact Assessment Framework during seminar on "Islamic Financing for Infrastructure in Malaysia" with Ministry of Public Works, Indonesia
	- Understanding Islamic finance issues by engaging industry players through the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) platform - Capacity building for Shariah fraternity and Treasury - Reliable vessels and shipping data - Partnership with leading organisations and parties in sustainability practices - Participate in structured peer learning and capacity building activities	- Participated in activities organised by AIBIM - Engaged and subscribed to Vesselsvalue Ltd. to access their marketing intelligence data - Proposed training to become Certified Sustainability Practitioner conducted by UNGC - Became a CAN member and participated in CAN Members' Sharing that enable transferring of knowledge and skills covering different aspects of sustainability practices - Participated in CEO-talk during Global DFI Forum 2021 on "Developing The Present with the Future in Mind" hosted by ADFIM - Senior Management participated in "Mendepani Cabaran – Sokongan bagi Usahawan" conference organised by ADFIM - Participated in CEO-talk during ADFIAP's 44th Annual meeting on DFIs Moving Forward "Thrusts and Priorities"
	- Mandatory training for the Board members - Challenges faced by Islamic finance industry in the wake of the pandemic and how various stakeholders are supposed to handle and solve 'fiqh' issues - Explore further the principles governing 'fiqh' of crisis management through adherence to Shariah fundamentals and 'fiqh' issues and cases without neglecting the spirit of Islamic law (Maqasid al-Shariah) - Strategy to resolve issues with regard to BPMB merger and acquisition in the mission to become a Full-fledged Islamic Development Financial Institution (DFI)	- Enrolled Board members to participate in the mandatory programme and training as per BNM recommendation - SC Participated in the 15th Muzakarah Cendekiawan Syariah Nusantara – Industri Kewangan Islam Pasca Pandemik Impak, Cabaran dan Hala Tuju (Muzakarah 2021) - SC Participated in the 16th International Shariah Scholars Forum (ISSF) - SC Offsite Retreat 2021

STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS

**Customers**

ENGAGEMENT PLATFORMS

We constantly interact with customers to better understand emerging business trends and requirements to guide us in formulating and proposing suitable financial solutions for their businesses, taking into consideration the endemic economic landscape.

**Site Visit****Networking****Forums****Advisory****Engagements****Employees**

We constantly communicate with our employees to ensure that their participation and contributions are aligned with our strategic priorities. This initiative allows us to better understand their concerns.

**Meetings****FEET'S App****Sports Club Activities****Townhall****Core Value Engagement****Employee Engagement Survey**

KEY AREAS OF CONCERN	OUR ACTIONS
- Promote investment for sustainable, resilient and inclusive recovery & growth via capital market - Business products/services offering - Assistance to affected customers during COVID-19 pandemic - Knowledge Sharing Sessions	- Issued RM1.25 billion Sukuk Wakalah - Enhanced Islamic Leasing for Pembangunan Leasing Corporation's customers - Continued preserving customers' income by extending the Moratorium period - Conducted MIND briefings through the Development Impact questionnaire - Participated in speaking engagement at "Funding Green & Sustainable Projects through Capital Market" webinar, jointly organised by Capital Market Malaysia & Securities Commissions Malaysia - Participated in speaking engagement at the "Translating Concept to Bankable Projects: An Up-Close with Smart City Enablers" - Participated in speaking engagement at CAN – Peer Sharing Energy Session On Energy Management - Participated in speaking engagement at GO ESG ASEAN 2021 on "Banks as ESG Change Agents: Sustainable Finance as Sustainability Performance Pathways" - Participated in CEO-talk during Ethical Finance 2021 Summit on "Global Perspective in SDG Finance" - Tan Sri Nazir Razak participated in BFM Morning Run: "How DFIs can do more for National Recovery"
- Health & Safety - Workplace environment - Workplace culture - Knowledge sharing - Strengthen relationship among Sports Club members - Create awareness among the staff on the availability of Islamic investment instruments	- Subscribed to Community Wellness Programmes by Naluri which consists of 24 webinar sessions - Conducted Comprehensive Employee Engagement Survey 2021 - Conducted survey on productivity, the effectiveness of PMCare and work from home versus work in office - Installed FEET'S vending machine, Celeste (HR Digital Assistant) and ZOOM in FEET'S mobile apps - Implemented new E-Learning Courseware i.e. AMLA Organised Crime and Management of Customer Information and Permitted Disclosures (MCIPD) to continuously support blended learning approach - Conducted continuous awareness session on the existing products and services throughout the year - Conducted sharing sessions on new updates from regulators and internal authorities which is related to products, services, schemes and etc. - Conducted Golf tournament via Sports Club - Distributed "Duit Raya" via Sports Club - Conducted Webinar for staff on 'Pelaburan Patuh Syariah: Apakah Pilihan Yang Ada?'

STAKEHOLDER ENGAGEMENT

KEY STAKEHOLDERS

**Communities**

ENGAGEMENT PLATFORMS

We engage with the community to better understand the role we can play to address their needs.

**Community Events****Zakat/ Donation****Programmes****Corporate Social Responsibilities**

KEY AREAS OF CONCERN	OUR ACTIONS
- Supporting SDG #1 – No Poverty - Supporting SDG #2 – Zero Hunger - Supporting SDG #3 – Good Health and Well-Being - Supporting SDG #4 – Quality Education - Improve English literacy amongst school children within the adopted community - Provision of assistance during COVID-19 pandemic - Community awareness on the importance of proper procedures and administration in resolving the inheritance issues pursuant to the death of heir (waris) or any relative - Zakat Contribution	- Collaborated with Pusat Pungutan Zakat MAIWP for contribution of basic food pack and cash for 'Asnaf' in Wilayah Persekutuan worth RM70,000 - Distributed food packs worth RM236,000 for 'Asnaf' in collaboration with Islamic Relief Malaysia under the Ihsan Ramadan BPMB Programme - Collaborated with Lembaga Zakat Negeri Kedah for development of One-Stop Community Centre in Kampung Belatik, Sik, Kedah as a center for 'Asnaf' development - Collaborated with Majlis Ugama Islam Sabah for contribution of twelve (12) months allowance for nine (9) preachers for educating and guiding 'Muallaf' in Sabah rural areas - Organised Road to Excellence SPM English Workshop in preparation for the SPM examinations - Organised English Carnival involving 60 students from SMK Seri Titiwangsa to encourage the usage of English in an informal situation - Held Public Speaking Workshop involving 90 Form 5 students from SMK Padang Tembak - Contributed RM55,000 Research Grant to UiTM - Provided Zakat Scholarship worth RM675,000 to 15 students in three universities i.e. UIAM, UPM & USIM - Contributed to three public universities i.e. UMK, UPSI & UTHM worth RM750,000 to provide stipend fund to 1,500 students - Provided PPE sets worth RM267,000 for frontliners in Selangor through Jabatan Kesihatan Negeri Selangor in collaboration with Yayasan Ikhlas - Provided one-off assistance worth RM120,000 to 60 members of Persatuan Orang-Orang Cacat Penglihatan Islam Malaysia who lost their source of income due to movement control order - Provided financial assistance to 50 chilli farmers under Smart Farming Investment through MicroLEAP's Peer-To-Peer Financing Platform (P2P Platform) for the sum of RM500,000 - Sponsored four post-SPM students to pursue ACCA qualification under Malaysia Professional Accountancy Centre (MyPAC) worth RM617,596 - Contributed care packages to flood victims taking shelter at the Kelab Sultan Sulaiman in Kampung Baru - Contributed 160 units of mobile devices, worth approximately RM145,000 to SMK Padang Tembak and SMK Seri Titiwangsa - Organised public webinar under the title of 'Pengurusan Harta Pusaka: Apa Perlu Dibuat? - Amanah Lestari Alam (ALAM) was granted Tax Exempt status under Section 44 (6) of the Income Tax Act - ALAM was recognised in the 12th Malaysia Plan as an entity to leverage support for the implementation of environment and sustainability-related education initiatives and awareness programmes in schools and higher education institutions as well as to mobilise funds from public, private sectors and international organisations for the said purpose

OUR COMMITMENT TO CLIMATE ACTION

As a Development Financial Institution, we adopt a risk-based approach towards climate change, an iterative process that involves both adaptation and mitigation. Identifying climate change risks enables BPMB to make more effective policy decisions that can contribute towards sustainable development.

In 2021, Bank Negara Malaysia (BNM) published the Climate Change and Principle-based Taxonomy (CCPT), a framework that facilitates robust and consistent assessments of economic activities, and their associated impact on climate mitigation, adaptation and the transition to low-carbon, and/or more sustainable practices.

The following activities marks BPMB's effort towards climate change practices in 2021:

1. Establishment of Climate Change Risk Framework

The Climate Change Risk Framework (which was adapted from the BNM's CCPT) provides an overview of climate change, and its impact to the Bank with the intention to provide guidance for the Bank to identify, assess, measure, and report its exposure to Climate Change risk, to be in line with the Government's efforts in meeting the objectives of the Paris Agreement 2015, and the United Nation's Sustainable Development Goals (SDGs) i.e. SDG 13 – Climate Action.



2. Development of the Climate Change Risk Assessment (CCRA) template

Based on the CCPT, BPMB's Group Risk Management developed the CCRA template to classify, and categorise the economic activities of BPMB's customers, according to the extent to which activities meet climate objectives, and to promote transition to a low-carbon economy, and/ or more sustainable practices based on the Guiding Principles of the CCPT issued by BNM i.e. GP1 to GP5. Depending on the response of GP1 to GP5, the customers shall be classified as either Climate Supporting (C1), Transitioning (C2 or C3) or Watchlist (C4 or C5). Table below shows the summary of BPMB's Climate Risk's classification:

Classification		Criteria
Climate Supporting	C1	Only economic activities that meaningfully contribute to climate objectives, without causing significant harm to the environment objectives, in the immediate and intermediate future.
Transitioning	C2 or C3	When customers undertake efforts to transition to low carbon and sustainable practices, the initiatives, and/or overall business may still, in the immediate and intermediate future, cause some harm to the broader environment.
Watchlist	C4 or C5	For customers that do not display any commitment, or are not serious in their commitment to remediate the harm identified, and/or do not undertake any initiative to transition to more sustainable practices.

3. Member of BNM Joint Committee 3

BPMB also became a member of the BNM Joint Committee on Climate Change (JC3), a committee co-chaired by BNM and the Securities Commission (SC) intended to pursue collaborative actions for building climate resilience within the Malaysian financial sector. During the year, BPMB actively participated in several JC3 sub-committee group discussions, mainly on bridging data gaps. Moving forward, BPMB will continue to actively contribute to JC3 sub-committee group discussions, and engage other financial institutions through this channel to build climate resilience in the sector.

4. Capacity building

As part of BPMB's capacity building on climate change risk, awareness sessions were organised internally to Senior Management and staff on Climate Change. Four training sessions on Climate Change covering Climate Risk Management, had already been conducted in December 2021 and January 2022 (by Deloitte), as part of our awareness and knowledge-sharing programme. This will be further continued with the six in-house trainings on the CCRA template in 2022.

PLANS FOR 2022

BPMB continuously puts the building blocks in place in terms of managing climate change risk. Various initiatives had been planned by BPMB for 2022 to strengthen this area internally. Among the initiatives include:

1. Inclusion of Climate Change Risk in the Risk Appetite Statement

As the Climate Change Risk Framework is in place, BPMB plans to include a Risk Appetite indicator on climate change risk in the Risk Appetite Statement so that the climate change risk status can be monitored on quarterly basis.

2. Customer's Mapping Exercise

Utilising the internal Climate Change Risk Assessment template, BPMB intends to classify all of its customers' economic activities

based on the CCPT. This would greatly assist in establishing a baseline for BPMB to be mindful of the need to consider climate-related risks for future financing approvals.

3. Gap Analysis on BNM Climate Risk Management and Scenario Analysis (CRMSA)

On 27 December 2021, BNM had issued the Exposure Draft (ED) on CRMSA to all Financial Institutions (FIs) to seek feedback prior to finalising the policy document. Tentatively, this policy document comes into effect on 1 June 2022, subject to the following transitional specifications:

- paragraphs 7, 8, 9, 10 and 11, with respect to governance, strategy, risk appetite and risk management, shall come into effect on 31 December 2023; and

- paragraphs 9, 10, 11, 12 and 13, with respect to scenario analysis, metrics and targets and disclosure, shall come into effect on 31 December 2024.

Based on the ED on CRMSA, each FI is required to perform, and submit to BNM, a Board-approved gap analysis and implementation plan within 6 months of the finalised BNM CRMSA as follows:

- Highlight all key implementation gaps between existing practices in managing climate-related risks, and the requirements in this CRMSA document; and
- Develop a board-approved implementation plan with a clear timeline, as well as, interim targets and milestones to address the gaps identified.

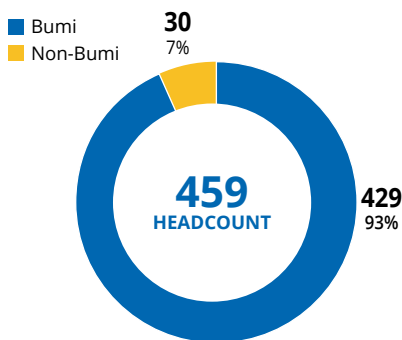
VALUE FOR PEOPLE

Our people are our greatest asset who contribute to BPMB's ongoing journey towards becoming Malaysia's leading developmental partner. As we acknowledge their commitment, we continue to strengthen efforts to nurture them in the best manner possible through various human resources initiatives covering (1) Talent Management and Development (2) Rewards and Recognitions; and (3) Employee Health and Wellness so that our people can reach their full potential and feel empowered to take charge of their careers in a high-performance work culture.

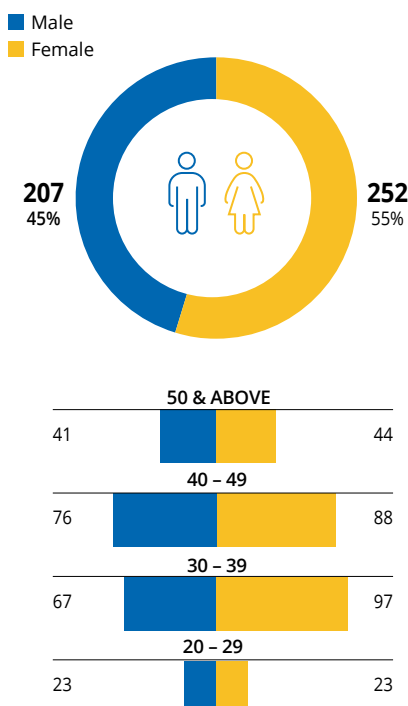
OUR PEOPLE

as at 31 December 2021

TOTAL MANPOWER BY ETHNIC GROUP



TOTAL MANPOWER BY GENDER/AGE



TALENT MANAGEMENT AND DEVELOPMENT

BPMB is committed to the personal and professional growth of our people. We add value to our people by offering them various learning and development opportunities through on-the-job experiences, coaching as well as formal training.



Total Staff Training Expenditure (STE) utilisation
RM2.5 Mil
(exceeding the 2.5% minimum BNM STE requirement)



Total Training Hours
17,718 hours



Average Training Hours Per Employee
38.7 hours

We believe that promoting lifelong learning leads to stronger growth, better innovation and the ability to remain relevant in a fast-changing workplace. The Bank seeks to inculcate a healthy culture of learning to equip our workforce with the necessary skills; both leadership and technical skills required to deliver BPMB's mandate.

» Building Leadership Capabilities

This year, we have achieved another key milestone with the successful implementation of the inaugural BPMB Bespoke Leadership Development Series across four leadership levels within BPMB namely;

PEMBANGUNAN IV
for Strategic Leaders

PEMBANGUNAN III
for Tactical Leaders

PEMBANGUNAN II
for First-Level Leaders

PEMBANGUNAN I
for Team Contributors

A total of 110 identified talents participated in the 9-month learning journey from June 2021 until February 2022 who evolved through training focused on Leading Self, Leading Others, Leading Operations and finally Leading the Organisation.

We partnered with a global leadership development and human resources consulting firm to enhance leadership skills and equip the selected talents with the right leadership competencies to prepare them to take on greater roles within the organisation.

To further support the leadership development, BPMB has embarked on expanding the values of coaching beyond individual executives to the entire organisation and building a coaching culture across levels in the organisation through the implementation of the Coaching Skills Programme.

The 18-week programme aims to equip the leaders to empower, coach and lead initiatives at the enterprise level as well as developing other leaders with the right coaching skills and techniques.

Effective coaching has resulted in our people becoming more engaged and raised overall performance standards through innovative thinking, clear goal setting and accountability which in turn helps to drive and effectively attain the organisational goals.



» Coaching Skill Programme; participated by both the Strategic Leaders (CEO-1) as well as the Tactical Leaders (CEO-2 /CEO-3)

» Upskilling through Professional Qualifications & Specialised Certifications

1. Specialised Certification Programme

BPMB continues to support Bank Negara Malaysia's initiative to elevate the quality of professionals within the Bank through enrolments to professional qualification and specialised certification programmes offered by the Asian Institute of Chartered Banker (AICB). 2021 marks the fourth year of the implementation of our 5-Year Capability Building Roadmap (2018 – 2022). The enrolment status as at 31 December 2021, is shown below:

No	Core Banking Area	Certifications required	Pursuing	Completed
1	Credit	Professional Credit Certification (PCC) a. Credit Certification Executive (CCE) b. Business Credit Professional (BCP)	18 2	17 9
2	Audit	Certification For Bank Auditors (CBA)	1	12
3	Compliance	a. Certification in Regulatory Compliance (CRC) b. Advanced Certification in Regulatory Compliance (ACRC)	– 1	6 3
4	Risk	Bank Risk Management (BRM)	1	2
5	Anti-Money Laundering & Counter-Financing Terrorism (AML/CFT)	a. Certification in AML/CFT (CAML) b. Advanced Certification in AML/CFT (ACAML) c. Certified Professional in Financial Crime Compliance (CPFCC)	– – –	6 2 –
6	Treasury	Pasaran Kewangan Malaysia Certificate (PKMC)	1	8

2. Chartered Banker Programme

BPMB encourages our employees to pursue career development by enrolling in the world-class Chartered Banker (CB) Qualification jointly awarded by AICB and the Chartered Banker Institute, UK. This internationally recognised professional qualification in the banking industry worldwide offers the highest standard of excellence and professionalism.

Certification – Level	Pursuing	Completed
Chartered Banker (CB)	7	5
Professional Banker (PB)	6	8
Executive Banker (EB)	–	–

VALUE FOR PEOPLE

3. Shariah and Islamic Finance Certification Programme

As part of our continuous effort to develop and strengthen our people knowledge and understanding on Islamic finance, targeted employees of BPMB together with identified Shariah Committee Members were equipped with relevant Shariah and Islamic Finance professional certifications offered by established Islamic Finance learning providers.

Certification	Provider	Pursuing	Completed
Certified Shariah Advisor (CSA)	Association of Shariah Advisors (ASAS)	–	5
Certified Shariah Practitioner (CSP)		–	2
Certified Professional Shariah Auditor (CPSA)	Islamic Banking and Finance Institute Malaysia (IBFIM)	–	2
Associate Qualification In Islamic Finance (AQIF)		1	–
Intermediate Qualification In Islamic Finance (IQIF)		1	–

» Nurturing Our Leaders of Tomorrow through the BPMB Undergraduate Scholarship Award

Our commitment to developing our own leaders has been a key priority. We strive to nurture the “Leaders of Tomorrow” at the source, by identifying and securing high potential talents whilst they are still studying at tertiary level, and who eventually will become part of the organisation to drive and deliver value for Malaysia’s developmental needs.

In line with BPMB’s on-going commitment in championing the Sustainability agenda, the Award, which was established in 2013 is part of the Bank’s Corporate Social Responsibility (CSR) initiative. The primary mission of this initiative is to make quality education accessible to deserving outstanding Malaysian students to pursue their undergraduate studies at leading universities abroad.

To date, more than RM6 million worth of scholarships have been awarded to thirteen of Malaysia’s outstanding students. For 2021, another four outstanding Malaysian students were accorded scholarships to pursue their undergraduate studies abroad under the Bank’s 2021 Undergraduate Scholarship Award. Despite the pandemic, BPMB remains committed to offer scholarships to deserving recipients with an estimated sponsorship of RM1.1 million per annum for the next three years.

The recipients of BPMB’s 2021 Undergraduate Scholarship Awards are as follows;



» Kaartik A/L Nagarajan, 21, BSc in Computer Science, University College London



» Irfan Qureshi bin Mohamad Aslam, 19, BSc in Computer Science, University Of Southampton



» Audra Qistina binti Azli, 19, Bachelor of Law, Cardiff University



» Aimi Nabilah binti Baharudin, 21, Bsc Actuarial Science, University Of Kent

REWARDING AND RECOGNISING OUR PEOPLE

As part of our efforts to attract and retain our people, we provide the necessary support and recognise their achievements through various means with clear and effective communications. The following are some of the benefits and rewards offered to our people throughout their career development with BPMB.



A structured incentive plan in the form of

Cash Award

to incentivise staff upon completion of the identified Professional Qualification and Specialised Certification Programmes.



Allocation of maximum Six (6) days

Exam and/or Study Leave

for staff to prepare and sit for examination(s) related to the enrolled Professional Qualification and Specialised Certification Programmes.

» BPMB awarded ACCA Approved Employer status

At the organisation level, BPMB now carries the ACCA Approved Employer status for both the **Professional Development** and **Trainee Development – Platinum streams**.

This award affirms BPMB's high standards of staff training and development, and commitment to ensure ACCA students and members have the right skills, ethics and competences to add value and drive the business forward.



PROMOTING EMPLOYEE WELFARE THROUGH BPMB PRIHATIN

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

- » The COVID-19 pandemic has increased the depression, anxiety and stress levels for some people, on top of managing their existing stress issues, they also have to consider job security, financial stability, the fear of loved ones falling ill and difficulty to hit the performance targets from home. Through the Naluri Wellness programme, a number of remote therapy sessions and psychologist hotline as listed below have been conducted.

 Remote Therapy	15 Sessions	20.5 hours	Main topics discussed were on workplace/ schooling stress, fear/ anxiety & career planning.
 Psychologist Hotline	18 Calls	10.3 hours	Main topics discussed were on the Workplace Stress, Panic Attacks and Anxiety issues.

As a caring employer, we always strive to provide financial aid in any possible way to support employees' needs and predicaments. In this context, we have disbursed to the eligible staff and their family members, as illustrated below, Financial Assistance Schemes introduced in 2020.

Schemes Offered	No. of recipients	Distribution (RM)
Higher Education Institution Scheme @ RM1,800 per child	27	48,600
Calamities Scheme @ maximum of RM10,000 (including flood incident)	17	53,500
Educational Assistance for Special Children Scheme @ RM2,000 per child	6	12,000
Total Distribution	50	114,100

- » We partnered with a recognised mental health service provider that provides a holistic well-being programme to help our people achieve their healthiest and best self-development. Described below is the list of webinars that have been conducted in 2021 to increase knowledge and raise awareness among our people.

1. Holistic Healthcare for Cancer
2. Holistic Wellness – Diabetes
3. Holistic Healthcare for Heart Disease
4. Holistic Healthcare for Anxiety & Stress
5. Holistic Healthcare for Depression
6. Managing Pandemic Fatigue
7. Healthy Eating
8. Manage Remote Teams Better
9. Effective Conflict Resolution
10. Importance of Goals and Goal-Tracking
11. Sleep Better Tonight
12. Preventative Screening for Women
13. Managing Vaccine Anxiety
14. Battle Burnout
15. Mental Health & Parenthood Webinar
16. Preventative Testing for Men Webinar
17. Simple Strategies to Boost Productivity Webinar
18. Healthy Ageing Webinar
19. Active Listening Webinar
20. Suicide Prevention and Awareness Webinar
21. Managing Heart Disease Webinar
22. Be A Better Mental Health Advocate at Home and at Work Webinar
23. Breast Cancer Webinar
24. Bounce Back After COVID Webinar

HIGHLIGHTS OF THE YEAR


JANUARY 2021

Together with Pusat Pungutan Zakat-MAIWP, BPMB contributed basic food assistance to the community of Perumahan Awam Seri Perak, Sentul under the “Projek Bakul Rezeki Khaira PPZ-BPMB”.


FEBRUARY 2021

BPMB champions English literacy amongst youths in a three-day workshop for students of SMK Seri Titiwangsa under its SEEDS (Supporting English Empowerment to Drive Sustainability) initiative.


JUNE 2021

BPMB's very first Dialogue Session with Chairman, Y.Bhg. Tan Sri Nazir Razak – involving the Bank's board of directors, Senior Management team, and all valued employees.


MARCH 2021

A projector and printer were handed to SMK Seri Titiwangsa and SMK Padang Tembak as a follow-up to BPMB's contribution of desktop computers to both schools in November 2020.





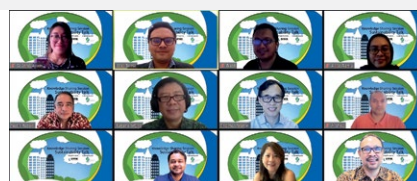
JUNE – AUGUST 2021

Aimed at connecting with the youths of BPMB, Chairman, Y.Bhg. Tan Sri Nazir Razak engaged in a series of virtual dialogue sessions titled – Borak with Chairman. The sessions involved 100 youths, aged 35 and below, across all functions within the Bank.



JULY 2021

Virtual Knowledge Sharing Session – Sustainability Talk by Eugene Wong, CEO of Sustainable Finance Institute Asia, featuring various aspects of sustainability, such as an overview on the concept of sustainability and sustainable finance, sustainability as a strategy, as well as taxonomy and the impact to BPMB.



SEPTEMBER 2021

BPMB's Virtual Signing Ceremony with Credit Guarantee Corporation Malaysia Berhad and Minister of Finance (Incorporated) for the 100% acquisition of Danajamin. This exercise is part of the Government's medium-term plan to strengthen and align the mandates of Development Financial Institutions (DFIs) to improve the national development finance ecosystem.



BPMB contributed grocery packages to 200 recipients in Taman Wahyu, Kampung Batu, and in Danau Kota, Setapak, in September 2021 through its collaboration with the BAC Education Group. The packages were distributed directly to recipients, while those who were under COVID-19 quarantine received their packages from respective community leaders.



AUGUST 2021

Nurturing its commitment to develop “Leaders of Tomorrow,” BPMB accorded four outstanding Malaysian students with scholarships to pursue their undergraduate studies abroad, under the Bank's 2021 Undergraduate Scholarship Award. The scholarships have an estimated value of approximately RM1.1 mil per annum, for the next three years.



BPMB contributed grocery packages to 50 recipients affected by COVID-19. The project was part of the Projek Kibar initiative run by non-governmental organisation, SKRLWN Society. The grocery packages were delivered to the doorsteps of the recipients located in Klang, Selangor.



HIGHLIGHTS OF THE YEAR



SEPTEMBER – OCTOBER 2021

300 families residing in low-cost flats in Kampung Baru, received BPMB-donated grocery packages in conjunction with a Hunger Aid programme organised by non-governmental organisation, Zerohunger Sdn Bhd. The food packs were presented to the families between September and October 2021.



BPMB contributed medical equipment worth, approximately RM234,890 to Hospital Selayang. The equipment, delivered in stages from, September to October 2021, were used to aid the treatment of COVID-19 patients.

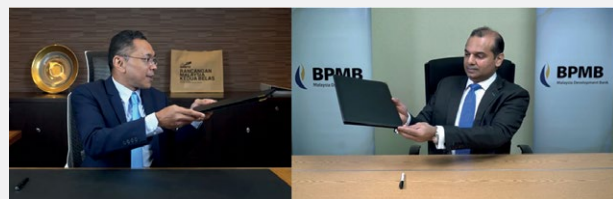


OCTOBER 2021

Reinforcing its strong commitment as the country's leading sustainable development finance provider, BPMB officially launched its Impact Assessment Framework – Measuring Impact on National Development (MIND). Complementing the MIND Impact Assessment Framework, BPMB also established the Sustainable Development Sukuk Framework – setting out the principles under which the Bank issued its Sustainable Development Sukuk.

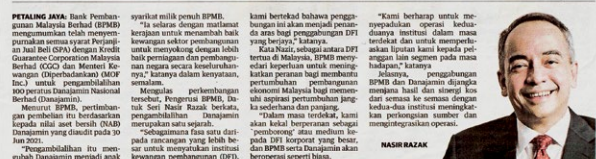


Aimed at supporting the development and adoption of digitalisation in businesses, BPMB inked a strategic collaboration with MDEC to catalyse the country's economic recovery. This collaboration leverages on MDEC's network in the digital technology community and BPMB's funding support to accelerate the country's digital transformation.



BPMB announced the completion of all the conditions precedent in the Sale and Purchase Agreements with Credit Guarantee Corporation Malaysia Berhad and Minister of Finance (Incorporated) for the 100% acquisition of Danajamin Nasional Berhad (Danajamin). The acquisition transforms Danajamin into a wholly-owned subsidiary of BPMB. This is in line with the Government's aim of improving the development finance sector to better support businesses and national development as a whole.

BPMB muktamad pengambilalihan Danajamin





NOVEMBER 2021

Conducted the very first joint-virtual Town Hall Engagement Session with Danajamin post-acquisition – featuring both entities' senior leadership team and all valued staff.



BPMB contributed grocery packages and cash contributions to 100 recipients in Yan, Kedah. The recipients, made up of those who had lost jobs or businesses during the pandemic, had received aid from BPMB via NGO MyMahu in November 2021.



Former President/Group CEO Arshad Mohamed Ismail represented BPMB at the Global DFI Forum 2021, organised by the Association of Development Finance Institutions of Malaysia (ADFIM) and its strategic partners. Arshad shared BPMB's key focus and initiatives in Sustainability Development, its future and trends in Malaysia as well as how industry players can further strengthen their efforts in this arena.



BPMB was represented by Group Head, Strategy & Communications, Vikraman Kalia Purumal at the GO ESG ASEAN 2021, organised by the UN Global Compact Network, Malaysia & Brunei. He shared BPMB's commitment towards the Sustainable Development Goals (SDGs) and sustainable finance products as well as the merits of green/sustainable bonds to help finance large capital projects in developing countries.



Representing BPMB at the MARC360 Sustainable Infra 2021 Virtual Conference, Group Head, MIND & Research, Ahmad Nadjme Yusuf spoke on initiatives driven by the Bank's Impact Assessment Framework (MIND). Organised by the Malaysian Rating Corporation Berhad, discussions also included the Infrastructure Integration with ESG (Innovation and Acceptance of Renewable Energy) and the way forward for Malaysian Infrastructure.



HIGHLIGHTS OF THE YEAR



DECEMBER 2021

BPMB's Chairman, Y.Bhg. Tan Sri Nazir Razak was the keynote speaker in the "Beyond A Pandemic: Building Towards a Sustainable and Resilient Recovery after COVID-19" hybrid conference. With the topic of "Reflect and Reset: The Path to a Better Malaysia", Y.Bhg. Tan Sri Nazir shared his views on a holistic approach to design a sustainable and resilient pathway towards reaching full potential as a nation post COVID-19.



Reinforcing its commitment to enhance the livelihood of local students in need, BPMB contributed RM1.425 mil to six (6) public universities in Malaysia. This initiative is an annual contribution, begun in 2018, whereby approximately 20 public universities have received the contribution to-date.



BPMB care packages brought some relief to approximately 27 Kampung Baru families affected by the December 2021 floods. The families, whose homes and belongings were destroyed had taken refuge at Kelab Sultan Sulaiman under the care of Jabatan Pertahanan Awam Malaysia until they were able to return to their respective homes.



BPMB contributed 160 units of mobile devices worth approximately RM145,000 to SMK Padang Tembak and SMK Seri Titiwangsa. This contribution is part of the Bank's SEEDS (Supporting English Empowerment to Drive Sustainability) programme.





FEBRUARY 2022

BPMB participated in the ESG Corporate Summit 2022 – Driving Sustainability & Sustainable Transformation – which was jointly organised by The Economic Club of Kuala Lumpur (ECKL) and the KSI Strategic Institute for Asia Pacific, supported by the Malaysia CSO-SDG Alliance. President/Group Chief Executive Officer Encik Arshad Mohamed Ismail was amongst the speakers for the CEO Leadership Roundtable – Towards Responsible Business Leadership.



MARCH 2022

BPMB Group Managing Director, Mohamed Nazri Omar spoke at the 2022 Malaysian Banking & Finance Summit sharing insights and knowledge on the future of banking. The Bank was one of the sponsors for the Summit which brought together senior bankers, technology experts and senior consultants. Nazri was a panel speaker for a session titled Sustainability in Banking – How Banks Can Promote ESGs.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Mohamed Nazir Abdul Razak
Chairman/Independent Non-Executive Director

Ariff Rozhan
Independent Non-Executive Director

Norazilla Md Tahir
Independent Non-Executive Director

Thomas Meow Yoke Nean
Independent Non-Executive Director

Datin Rashidah Mohd Sies
Non-Independent Non-Executive Director

Othman Abdullah
Independent Non-Executive Director

SHARIAH COMMITTEE

Associate Professor Dr. Aznan Hasan
Chairman

Dr. Ahmad Basri Ibrahim

Ustaz Mohd Fadhly Md Yusoff

Professor Dr. Zurina Shafii

Dr. Syahnaz Sulaiman
(retired with effect from 1 April 2022)

AUDITORS

Ernst & Young (AF: 0039)

GROUP CHIEF EXECUTIVE OFFICER

Roni Lihawa Abdul Wahab
(appointed with effect from 8 April 2022)

REGISTERED OFFICE

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

PRESIDENT/ GROUP CHIEF EXECUTIVE OFFICER

Arshad Mohamed Ismail
(retired with effect from 7 April 2022)

WEBSITE

www.bpmb.com.my

COMPANY SECRETARY

Zarina Nadzimuddin
(MAICSA 7060104)

SSM Practising Certificate Registration No. : 202008003432

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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 2021.

PRINCIPAL ACTIVITIES

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

Information relating to principal activities of the subsidiaries are disclosed in Note 50 to the financial statements.

RESULTS

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

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in Notes 8, 11, 41 and 42 to the financial statements and the statement of changes in equity.

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

DIVIDENDS

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

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

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2021, on 3,451,584,988 ordinary shares, amounting to a dividend payable of RM75,000,000 (2.17 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

DIRECTORS' REPORT

DIRECTORS

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

Tan Sri Mohamed Nazir bin Abdul Razak	(appointed on 22 April 2021)
Ariff bin Rozhan	
Norazilla binti Md Tahir	
Meow Yoke Nean	(appointed on 2 June 2021)
Datin Rashidah binti Mohd Sies	(appointed on 27 September 2021)
Othman bin Abdullah	(appointed on 22 October 2021)
Tan Sri Datuk Seri Rashpal Singh Randhay	(appointed on 28 April 2022)
Rosnah binti Kamarul Zaman	(appointed on 17 May 2022)
Datuk Zaiton binti Mohd Hassan	(retired with effect from 18 February 2021)
Dr. Mohamed Ashraf bin Mohamed Iqbal	(resigned on 28 February 2021)
Dato' Othman bin Semail	(retired with effect from 20 March 2021)
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	(resigned on 25 April 2021)

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

(i) Danajamin Nasional Berhad

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

(ii) Global Maritime Ventures Berhad

Ariff bin Rozhan
Norazilla binti Md Tahir

(iii) Pembangunan Leasing Corporation Sdn Bhd

Mohamed Nazri bin Omar	(appointed on 7 April 2022)
Arshad bin Mohamed Ismail	(resigned on 7 April 2022)
Norazilla binti Md Tahir	
Dr. Mohamed Ashraf bin Mohamed Iqbal	(resigned on 28 February 2021)
Dato' Wan Mohd Fadzmi bin Che Wan Othman Fadzilah	(resigned on 25 April 2021)

(iv) SME Growth Acceleration Fund Sdn Bhd

Nik Nor Aini binti Nik Mohamed
Elioskarma bin Abdul Aziz

DIRECTORS' REPORT

DIRECTORS (CONT'D.)

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: (con'd.)

(v) Emerald Upline Sdn Bhd

Azmahnor binti Siarap @ Abdul Wahab
Amreen bin Mohamed

(v) Maju Nominees (Tempatan) Sdn Bhd

Azmahnor binti Siarap @ Abdul Wahab
Elioskarma bin Abdul Aziz

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

Elioskarma bin Abdul Aziz
Azmahnor binti Siarap @ Abdul Wahab

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors, or the fixed salary of a full time employee of the Bank as shown in Notes 39 and 40 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' INTEREST

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

INDEMNITIES TO DIRECTORS OR OFFICERS

The Group and the Bank maintained a Directors' and Officers' Liability Insurance for the purpose of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the directors and officers of the Group and the Bank. The amount of insurance premium paid for any director and officer of the Group and the Bank during the financial year was RM448,400. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

ISSUE OF SHARES

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

DIRECTORS' REPORT

ISSUANCE OF ISLAMIC MEDIUM-TERM NOTE PROGRAMME

On 8 June 2021 and 25 October 2021, the Bank has issued Islamic Medium Term Notes ("Sukuk Wakalah Programme") of RM1.25 billion and RM0.45 billion respectively (2020: RM1.0 billion) for additional working capital purposes. The terms of the Sukuk Wakalah Programme are disclosed in Note 25(iii) and Note 25(iv) to the financial statements.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating
RAM Rating	17 December 2021	RM7.0 billion Conventional Medium-Term Notes Programme and/or Islamic Murabahah Medium-Term Notes Programme	AAA/Stable
MARC Rating	11 November 2021	RM5.0 billion Islamic Medium-Term Note (IMTN) Programme	AAA with stable outlook

BUSINESS OUTLOOK

Projected external operating conditions

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

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

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

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

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

Malaysia economic outlook

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

DIRECTORS' REPORT

BUSINESS OUTLOOK (CONT'D.)

Malaysia economic outlook (cont'd.)

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

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

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

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

OTHER STATUTORY INFORMATION

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad financing and bad debts and the making of impairment and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment and allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (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 56 to the financial statements.

SUBSEQUENT EVENTS

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

AUDITORS

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

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

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



Tan Sri Mohamed Nazir bin Abdul Razak



Norazilla binti Md Tahir

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

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

We, Tan Sri Mohamed Nazir bin Abdul Razak and Norazilla binti Md Tahir, being two of the directors of Bank Pembangunan Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 106 to 267 are drawn up in accordance with Malaysian Financial Reporting Standards as modified by the specification provided by Bank Negara Malaysia as discussed in Note 2.1 to the financial statements and the requirements of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and of their financial performance and cash flows for the year then ended.

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

Tan Sri Mohamed Nazir bin Abdul Razak

Norazilla binti Md Tahir

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

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

We, Norazilla binti Md Tahir and Roni Lihawa bin Abdul Wahab, a Director and the Group Chief Executive Officer, respectively, of the Bank who are primarily being responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 106 to 267 are to the best of our knowledge and belief, correct and we make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory on 10 June 2022.

Norazilla binti Md Tahir

Before me,



NAILAH RAMLI & PARTNERS
Peguambela Peguamcara & Peguam Syarie
No. 25-2, Tingkat 2 Jalan Setiawangsa 9,
Taman Setiawangsa, 54200 Kuala Lumpur
No. Tel : +6010-659 7780
Email : nrpartners@yahoo.com

Roni Lihawa bin Abdul Wahab

SHARIAH COMMITTEE'S REPORT

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

Assalamualaikum Warahmatullahi Wabarakatuh

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

INTRODUCTION

In carrying out the roles and the responsibilities of the Shariah Committee ("SC") of the Bank as prescribed in the Shariah Governance Policy Document issued by Bank Negara Malaysia and in compliance with our terms of appointment, we hereby submit the Shariah Committee Report for the financial year ended 31 December 2021.

Management's Responsibility

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

Shariah Committee's Responsibility

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

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

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

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES

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

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

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

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

SHARIAH COMMITTEE'S REPORT

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

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

a. Secretariat to the Shariah Committee

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

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

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

Group Shariah Management is also responsible for the management, payment and distribution of business zakat in ensuring the Bank complies with the established rulings in relation to business zakat.

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

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

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

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

b. Shariah Risk Management

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

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

SHARIAH COMMITTEE'S REPORT

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

b. Shariah Risk Management (cont'd.)

For the financial year under reporting, there was no Shariah non-compliance event detected and reported by the designated ORLOs from the business Functions. There was one (1) internal Shariah Non-Compliance KRI triggered for seven (7) months during the financial year i.e. Number of Shariah related compliance and audit findings, issues as highlighted arising from Shariah Compliance Review and Shariah Audit. Notwithstanding, Group Risk Management via Operational and Shariah Risk Function will continue to ensure adequate and competent resources and controls are put in-place in assuring that the Bank is in compliant with Shariah requirements.

c. Shariah Review

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

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

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

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

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

d. Shariah Audit

The performance of audit to ensure a sound and effective internal control system for Shariah compliance in the Bank is within the responsibility of Group Internal Audit ("GIA") function specifically Shariah Audit Section. Shariah Audit Section is one of the control functions under Shariah governance which responsible to support Shariah Committee in providing objective and independent assessment on the adequacy and effectiveness of the BPMB's internal control, risk management systems, governance processes as well as improve the degree of overall compliance of the BPMB's operations, business, affairs and activities with Shariah.

The Shariah Committee noted that, Group Internal Audit through Shariah Audit Section had conducted the following Shariah audit as part of the Shariah audit plan for the year 2021:

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

SHARIAH COMMITTEE'S REPORT

SIGNIFICANT DEVELOPMENTS AND ACTIVITIES (CONT'D.)

d. Shariah Audit (cont'd.)

The Shariah Committee noted that, Group Internal Audit through Shariah Audit Section had conducted the following Shariah audit as part of the Shariah audit plan for the year 2021 (cont'd.):

3. Shariah Audit on Implementation of Shariah Governance in Operational & Shariah Risk Management of BPMB. The audit had covered the following areas:
 - The adequacy and effectiveness of internal control implemented by Operational & Shariah Risk Management in identifying, measuring, monitoring, controlling & mitigation and reporting of Shariah non-compliance risk exposure;
 - The adequacy and effectiveness of the following monitoring/ surveillance tools:
 - Risk and Control Self-Assessment ("RCSA");
 - Key Risk Indicator ("KRI");
 - Operational Loss Event Reporting; and
 - Shariah Non-compliance Reporting ("SNC") through BNM ORION System.
 - The effectiveness on Standard Operating Procedure ("SOP") and circulars issued as a guide and for controls requirement.
4. Shariah Audit on Implementation of Shariah Governance in Shariah Review Function. The audit covered:
 - The adequacy and effectiveness of Shariah Review Framework/ methodology/ procedures in carrying out its compliance role as well as compliance with the Service Level Agreements ("SLA") established;
 - The monitoring/surveillance functions:
 - Monitoring of BPMB compliance with the applicable policies and regulations;
 - Handling of Shariah non-compliance issues; and
 - The structured process in arriving at Shariah decisions are adequate, operative and effective.
 - The Shariah Review Reports submitted by Compliance Review to Management, Shariah Committee and Board of Directors.
5. Shariah Audit on Implementation of Shariah Governance in Group Shariah Management. The audit had covered the following areas:
 - The adequacy and effectiveness of Shariah Management Guidelines/ Policies/Procedures in carrying out its Shariah Documentation Review and Shariah Advisory & Research roles to ensure compliance with the SLA and delegation of authority to GSM by SC;
 - The department's SOP on its role as secretariat in providing operational support for effective functioning of the Shariah Committee;
 - The SC Minutes of Meeting in order to establish the following:
 - Proper dissemination of decisions or advice of the Shariah Committee within BPMB Group;
 - Proper dissemination of decisions or advice of the Shariah Committee within BPMB or advice of the SC, including the key deliberations, the rationale for each decision or recommendation made, and any significant concerns and dissenting views; and
 - The circular resolution shall be notified in the subsequent SC meeting and is deemed effective should it comprise the decisions or advice made by two-thirds (2/3) of the SC members, with the majority of them being Shariah-qualified persons.
 - The reports/ papers/ research submitted by the Group Shariah Management to Shariah Committee, Management Committee and Board of Directors.

SHARIAH COMMITTEE'S REPORT

INITIATIVES ON TRAINING AND AWARENESS

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

1. Being an Islamic Banker
2. Late Payment Charges for Islamic Banking Institutions
3. Related Policies and Guidelines of BNM for Islamic Financing Facilities
4. Group Shariah Management ("GSM") Staff Engagement Program 2021
5. Financing Product (Tawarruq)
6. Tawarruq Deposit and Financing
7. Qard Product
8. Collateralised Commodity Murabahah
9. Pengurusan Pusaka: Apakah Perlu Dibuat
10. Shariah Audit for Corporate, Hedging and Financial Market Products, organised by Red Money
11. Certified Shariah Advisor & Auditor
12. Certificate in Shariah for Banking and Finance
13. Shariah Governance: Legal and Regulatory Updates: Virtual Training
14. Associate Qualification In Islamic Finance on the Go
15. The Basic knowledge needed to concur on islamic treasury
16. Islamic Capital Market Summit 2021 ("ICMS 2021")
17. Islamic Finance Conference 2021
18. Webinar on Islamic Finance: Islamic Trade Finance – An Opportunity for Malaysia
19. Credit Risk Management & Measurement for Islamic Banks
20. Islamic Finance 360 – Muzakarah 2021
21. Academy for Islamic Finance
22. Shariah Risk Profiling for Islamic Finance Products
23. Intermediate Qualification In Islamic Finance ("IQIF") – Module 1
24. 16th Kuala Lumpur Islamic Finance Forum 2021 ("KLIFF")
25. Islamic Treasury Masterclass
26. Tawarruq and Beyond Tawarruq
27. Muzakarah 2021: Industri Kewangan Islam Pasca Pandemik: Impak, Cabaran dan Hala Tuju

SHARIAH NON-COMPLIANT EVENTS AND DERECOGNISED INCOME

During the financial year 2021, we confirmed that there was no occurrence of Shariah non-compliance event and income.

ZAKAT ON BUSINESS

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

SHARIAH COMMITTEE'S REPORT

SHARIAH COMMITTEE OPINION

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

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Bank in relation to its Islamic financial business during the financial year ended 31 December 2021 that were reviewed by us, are in compliance with Shariah; and
2. The computation and distribution of zakat fund are in compliance with Shariah.

We, being two (2) of the members of the Shariah Committee of Bank Pembangunan Malaysia Berhad, do hereby confirm that on behalf of the Shariah Committee, to the best of our knowledge and belief, the aims and operations, business, affairs and activities of the Bank in relation to its Islamic financial business for the financial year ended 31 December 2021 have been conducted in conformity with Shariah.

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

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

Signed on behalf of the Committee in accordance with a resolution of the Shariah Committee dated 10 June 2022.



Assoc. Prof. Dr. Aznan bin Hasan
Chairman

Kuala Lumpur, Malaysia



Dr. Ahmad Basri bin Ibrahim
Member of the Committee

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 106 to 267.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of Bank as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards as modified by the specification provided by Bank Negara Malaysia ("BNM Specification") as disclosed in Note 2.1 to the financial statements and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

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

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

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

OTHER MATTERS

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



Ernst & Young PLT

202006000003 (LLP0026760-LCA) & AF 0039

Chartered Accountants

Kuala Lumpur, Malaysia

10 June 2022



Ahmad Hammami Bin Muhyidin

No. 03313/07/2023 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021 (cont'd.)

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

The accompanying notes form an integral part of the financial statements

STATEMENTS OF PROFIT OR LOSS

For the Financial Year Ended 31 December 2021

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	32	315,299	500,068	294,654	485,367
Interest expense	33	(81,197)	(163,049)	(77,178)	(163,047)
Net interest income		234,102	337,019	217,476	322,320
Net income from Islamic financial business	54	548,551	556,095	535,304	548,856
Net earned premiums	34	10,009	-	-	-
Non-interest income	35	26,309	54,260	9,668	51,438
Refund of government compensation	36	(1,370)	(3,094)	(1,370)	(3,094)
Net income		817,601	944,280	761,078	919,520
Net claim recovered	37	27,303	-	-	-
Overhead expenses	38	(147,950)	(107,111)	(132,015)	(101,447)
Gain on deconsolidation of dissolved companies	12(b)	-	59	-	-
Allowance for impairment losses of loans, financing and advances	41	(384,912)	(670,221)	(373,014)	(660,785)
Allowance for impairment losses on other assets	42	(57,686)	(9,471)	(44,758)	(10,130)
Operating profit		254,356	157,536	211,291	147,158
Share of (loss)/profit of associates and joint ventures		(2)	4	-	-
Profit before taxation and zakat		254,354	157,540	211,291	147,158
Taxation	43	(68,356)	(39,237)	(57,354)	(37,569)
Zakat		(9,561)	(11,220)	(8,275)	(8,769)
Net profit for the year		176,437	107,083	145,662	100,820
Attributable to:					
<u>Equity holders of the Bank</u>					
Profit for the year attributable to equity holders of the Bank		175,662	107,144	145,662	100,820
<u>Non-controlling interests</u>					
Income/(loss) for the year attributable to non-controlling interests of the Bank		775	(61)	-	-
		176,437	107,083	145,662	100,820
Earnings per share attributable to the equity holders of the Bank:					
Basic/diluted earnings per share (sen)					
- from operations	45	5.62	3.48		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2021

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit for the year	176,437	107,083	145,662	100,820
Other comprehensive (loss)/income				
<u>Items that will not be reclassified to profit or loss:</u>				
Net change in revaluation of equity instruments at fair value through other comprehensive income	15,973	(404)	15,973	(797)
<u>Items that may be reclassified to profit or loss:</u>				
Translation differences in respect of foreign operations	345	(178)	–	–
Debt instruments at fair value through other comprehensive income:				
– Net change in fair value during the year	(372,659)	135,913	(374,406)	135,913
– Changes in allowance for expected credit losses	51,601	9,405	51,598	9,405
	(304,740)	144,736	(306,835)	144,521
Income tax effect (Note 19)	90,274	(32,438)	89,857	(32,619)
	90,274	(32,438)	89,857	(32,619)
Other comprehensive (loss)/income for the year, net of tax	(214,466)	112,298	(216,978)	111,902
Total comprehensive (loss)/income for the year	(38,029)	219,381	(71,316)	212,722
Total comprehensive (loss)/income attributable to:				
Equity holders of the Bank	(38,880)	219,494	(71,316)	212,722
Non-controlling interests	851	(113)	–	–
	(38,029)	219,381	(71,316)	212,722

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2021

Group	Note	Attributable to equity holders of the Bank						Non-distributable			Total equity RM'000
		Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Merger deficit RM'000	Unrealised FVOCI reserve RM'000	Exchange translation deficit RM'000	Distributable retained profits RM'000	Total RM'000	Non controlling interests RM'000	
At 1 January 2021		3,078,724	1,000	2,098,571	-	271,830	(7,122)	2,506,739	7,949,742	12,215	7,961,957
Profit for the year		-	-	-	-	-	-	175,662	175,662	775	176,437
Other comprehensive (loss)/income for the year		-	-	-	-	(214,811)	269	-	(214,542)	76	(214,466)
Total comprehensive (loss)/income for the year		-	-	-	-	(214,811)	269	175,662	(38,880)	851	(38,029)
Issuance of shares		940,057	-	-	-	-	-	-	940,057	-	940,057
Arising from acquisition of a subsidiary	51(iii)	-	-	-	(18,341)	-	-	-	(18,341)	-	(18,341)
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	-	-	9,083	-	(9,083)	-	-	-
Transfer to statutory reserve		-	-	36,416	-	-	-	(36,416)	-	-	-
Dividend paid	44	-	-	-	-	-	-	(75,000)	(75,000)	-	(75,000)
At 31 December 2021		4,018,781	1,000	2,134,987	(18,341)	66,102	(6,853)	2,561,902	8,757,578	13,066	8,770,644
At 1 January 2020		3,078,724	1,000	2,073,366	-	160,311	(6,997)	2,576,058	7,882,462	12,328	7,894,790
Profit/(loss) for the year		-	-	-	-	-	-	107,144	107,144	(61)	107,083
Other comprehensive income/(loss) for the year		-	-	-	-	112,475	(125)	-	112,350	(52)	112,298
Total comprehensive income/(loss) for the year		-	-	-	-	112,475	(125)	107,144	219,494	(113)	219,381
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	-	-	(956)	-	956	-	-	-
Transfer to statutory reserve		-	-	25,205	-	-	-	(25,205)	-	-	-
Dividend paid	44	-	-	-	-	-	-	(152,214)	(152,214)	-	(152,214)
At 31 December 2020		3,078,724	1,000	2,098,571	-	271,830	(7,122)	2,506,739	7,949,742	12,215	7,961,957

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2021

Bank	Note	Non-distributable				Total RM'000
		Share capital RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Distributable retained profits RM'000	
At 1 January 2021		3,078,724	2,098,571	271,830	2,297,429	7,746,554
Profit for the year		-	-	-	145,662	145,662
Other comprehensive loss for the year		-	-	(216,978)	-	(216,978)
Total comprehensive (loss)/income for the year		-	-	(216,978)	145,662	(71,316)
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	9,083	(9,083)	-
Transfer to statutory reserve		-	36,416	-	(36,416)	-
Issuance of shares		940,057	-	-	-	940,057
Dividend paid	44	-	-	-	(75,000)	(75,000)
At 31 December 2021		4,018,781	2,134,987	63,935	2,322,592	8,540,295
At 1 January 2020		3,078,724	2,073,366	159,749	2,374,207	7,686,046
Profit for the year		-	-	-	100,820	100,820
Other comprehensive income for the year		-	-	111,902	-	111,902
Total comprehensive income for the year		-	-	111,902	100,820	212,722
Transfer to retained profits on the disposal of equity instruments at FVOCI		-	-	179	(179)	-
Transfer to statutory reserve		-	25,205	-	(25,205)	-
Dividend paid	44	-	-	-	(152,214)	(152,214)
At 31 December 2020		3,078,724	2,098,571	271,830	2,297,429	7,746,554

The accompanying notes form an integral part of the financial statements

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 December 2021

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities				
Profit before taxation and zakat	254,354	157,540	211,291	147,158
Adjustments for:				
Share of loss/(profit) of associates and joint ventures	2	(4)	–	–
Refund of government compensation (Note 36 and 54(m))	32,111	3,094	32,111	3,094
Depreciation of property, plant and equipment (Note 38(ii))	4,686	4,908	4,537	4,847
Depreciation of investment properties (Note 38(ii))	8	7	8	7
Amortisation of intangible assets (Note 38(ii))	2,642	2,637	2,530	2,504
Depreciation of right-of-use assets (Note 38(ii))	381	198	152	185
Fixed asset written off (Note 38(iv))	84	–	84	–
Loss/(gain) on disposal of property, plant and equipment (Note 35(b))	8	(322)	–	(106)
Net gain on disposal of financial investments at FVOCI (Note 35(a) and 54(m))	(42,446)	(57,788)	(42,446)	(57,788)
Accretion of discount less amortisation of premium of financial investments (Note 32 and 54(m))	25,459	16,152	25,467	16,152
Impairment allowance for:				
Financial investments at FVOCI (Note 42)	51,601	9,405	51,598	9,405
Loss on corporate guarantees (Note 42)	6,200	–	–	–
Investment in subsidiaries (Note 42)	–	–	(6,755)	659
Allowances for impairment losses on loans, financing and advances, net (Note 41)	444,063	691,900	430,802	680,769
Impaired loans/financing and other assets written off (Note 41)	9,247	2,382	8,807	1,689
(Write back)/allowance for ex-staff loan/financing (Note 42)	(85)	79	(85)	79
Loss due to debt/financing modification (Note 32, 54(l) and 54(m))	9,961	578	9,961	578
Unrealised loss/(gain) on financial investments at FVTPL (Note 54(m))	30,703	(4,999)	30,703	(4,999)
Allowance for impairment losses on financing and advances made during the year against Infra Support Fund ("ISF") (Note 27)	(32,640)	(137,720)	(32,640)	(137,720)
Compensation from the Government (Note 32 and 54(m))	(105,555)	(103,840)	(105,555)	(103,840)
Operating cash flows before working capital changes	690,784	584,207	620,570	562,673

STATEMENTS OF CASH FLOWS

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities (cont'd.)				
(Increase)/decrease in operating assets:				
Deposits and placements with financial institutions	(242,526)	739,143	(207,017)	831,691
Loans, financing and advances	(953,810)	(579,469)	(920,116)	(527,430)
Insurance receivables	16,664	-	-	-
Reinsurance assets	141	-	-	-
Other assets	(28,949)	423,590	(3,133)	345,276
	(1,208,480)	583,264	(1,130,266)	649,537
Increase/(decrease) in operating liabilities:				
Deposits from customers	627,916	(145,339)	627,916	(145,339)
Deposit and placements from financial institutions	230,404	(231,577)	230,404	(231,577)
Premium liabilities	(3,420)	-	-	-
Insurance payables	(710)	-	-	-
Other liabilities	(10,160)	(10,936)	1,672	43,938
	844,030	(387,852)	859,992	(332,978)
Cash generated from operating activities	326,334	779,619	350,296	879,232
Finance cost/interest expense on lease liabilities (Note 18(c))	(25)	(29)	(17)	(27)
Income taxes paid	(177,162)	(122,793)	(173,194)	(117,921)
Zakat paid	(9,568)	(30,386)	(9,568)	(30,386)
Net cash generated from operating activities	139,579	626,411	167,517	730,898
Cash flows from investing activities				
Acquisition of a subsidiaries, net cash paid (Note 51(iv))	(934,199)	-	(940,057)	-
Purchase of financial investments at FVOCI	(1,418,871)	(6,394,928)	(1,388,870)	(6,394,928)
Purchase of property, plant and equipment (Note 15)	(4,883)	(2,819)	(4,784)	(2,670)
Purchase of intangible assets (Note 17)	(3,759)	(1,957)	(3,427)	(1,953)
Proceeds from disposal of financial investments at FVOCI	1,904,911	4,960,372	1,884,911	4,960,372
Proceeds from maturity of financial investments at FVOCI	82,393	-	82,393	-
Proceeds from disposal of property, plant and equipment	127	576	-	106
Net cash outflow on dissolution of subsidiaries (Note 12(b))	-	(267)	-	-
Net cash used in investing activities	(374,281)	(1,439,023)	(369,834)	(1,439,073)

STATEMENTS OF CASH FLOWS

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from financing activities				
Net repayments of borrowings (Note 26)	(350,000)	(1,650,000)	(350,000)	(1,650,000)
Net payment/repayment of Sukuk/redeemable notes (Note 25)	(1,150,000)	(50,000)	(1,150,000)	(50,000)
Proceeds from Government compensation	41,532	51,324	41,532	51,324
Proceeds from Sukuk issuance (Note 25)	1,700,000	1,000,000	1,700,000	1,000,000
Payment of principal portion of lease liabilities	(390)	(182)	(155)	(168)
Dividend paid (Note 44)	(75,000)	(152,214)	(75,000)	(152,214)
Net cash generated from/(used in) financing activities	166,142	(801,072)	166,377	(801,058)
Net decrease in cash and cash equivalents	(68,560)	(1,613,684)	(35,940)	(1,509,233)
Cash and cash equivalents at beginning of the year	1,035,238	2,648,922	861,787	2,371,020
Cash and cash equivalents at end of the year	966,678	1,035,238	825,847	861,787
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 4)	966,678	1,035,238	825,847	861,787

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE INFORMATION

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

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

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

The Bank is principally engaged to provide medium to long term credit and financing facilities under both Conventional and Islamic Financial Business principles to finance infrastructure projects, maritime, oil & gas, technology and capital intensive industries in manufacturing as well as other identified sectors in line with the country's development policy. The principal activities of the subsidiary companies are as disclosed in Note 50.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 10 June 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Preparation

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

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

The Group and the Bank present the statements of financial position in order of liquidity. An analysis regarding the recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 52(c).

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

Modified accounting treatment specified by BNM

Pursuant to Section 75 of the Development Financial Institutions Act 2002 and in accordance with Section 26D of the Financial Reporting Act 1997 in Malaysia, BNM has issued a guideline on 28 July 2020 for Development Financial Institutions ("DFI") specifying the accounting treatment with respect to loans/financing for which the contractual cash flows are modified, including payments deferred under moratoriums provided by the DFI during the two financial years beginning on or after 1 January 2020. Subsequently, BNM on 17 December 2021 has issued a letter on the Extension of the accounting treatment for modification losses for prescribed DFI for the financial year beginning on or after 1 January 2022. The details as follows:

(i) Duration of modified accounting treatment

The modified accounting treatment permitted by BNM is in place for two financial years beginning on or after 1 January 2020 and shall continue to apply for financial year beginning on 1 January 2022 to 31 December 2022.

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

Accounting treatment in accordance with MFRS

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Modified accounting treatment specified by BNM (cont'd.)

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

Modified accounting treatment

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

(iii) Disclosure

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

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

Impact of adopting the modified accounting treatment

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

	Group		Bank	
	Modified accounting treatment RM'000	MFRS 9 RM'000	Modified accounting treatment RM'000	MFRS 9 RM'000
Statements of profit or loss:				
Interest/profit income				
- Effect of lower income with adjusted effective interest/profit rate	9,037	-	8,887	-
- Modification loss (net of reversal)	-	261,459	-	261,519
Statements of financial position:				
Loans, financing and advances	16,074,609	15,735,266	15,864,963	15,525,908
Retained profits	2,561,902	2,222,559	2,322,592	1,983,537

2.2 Changes in Accounting Policies

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

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

Description	Effective for annual period beginning on or after
Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards Issued but not yet Effective

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

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

MFRS 17 Insurance Contract

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

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

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

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

Alternative measurement models are provided for the different insurance coverages:

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

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

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

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

Other standards issued but not yet effective

These standards other than as disclosed above are not expected to have a significant impact on the Group and the Bank financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies****(a) Subsidiaries and basis of consolidation****(i) Subsidiaries**

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

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

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

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

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

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

(ii) Basis of consolidation

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(a) Subsidiaries and basis of consolidation (cont'd.)****(ii) Basis of consolidation (cont'd.)**

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

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

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

(iii) Business combinations and goodwill

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

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

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

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 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(a) Subsidiaries and basis of consolidation (cont'd.)****(iv) Merger Accounting for Common Control Business Combinations**

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

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

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

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

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

(b) Investment in associates and joint ventures

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

A joint venture ("JV") is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group has interests in JV that is disclosed in Note 14.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(b) Investment in associates and joint ventures (cont'd.)**

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.

(c) Foreign currency transactions**(i) Functional and presentation currency**

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

(ii) Foreign currency transactions

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

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

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

(iii) Foreign operations

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(d) Property, plant and equipment**

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 3(d), below. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation, respectively.

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

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

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

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

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

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

(e) Investment properties

Investment properties principally comprise properties held for long term rental yields or capital appreciation or both and which are not occupied by the Group and the Bank. Investment property is carried at cost less accumulated depreciation and any impairment losses. The policy for recognition and measurement of impairment is in accordance with Note 3(d), below.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Intangible assets

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

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

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

(g) Leases

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

(i) Right-of-use assets

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

Properties	3 years
Other equipment	5 years

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

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(g) Leases (cont'd.)****(iii) Short-term leases and leases of low-value assets**

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

(iv) Operating lease – the Group as lessor

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

(h) Financial assets

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

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

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

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

Classification and subsequent measurement**Financial assets**

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

- FVTPL;
- FVOCI; or
- Amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Classification and subsequent measurement (cont'd.)

Financial assets (cont'd.)

Business model assessment

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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Classification and subsequent measurement (cont'd.)**Financial assets – 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Equity instruments

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

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

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

Impairment

The Group and the Bank assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost and FVOCI. Equity instruments are not subject to impairment assessment.

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

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

- Stage 1: 12-month ECL

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

- 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Impairment (cont'd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(h) Financial assets (cont'd.)

Impairment (cont'd.)

The calculation of ECL (cont'd.)

- Loan, financing and advances commitments and letters of credit

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

- Financial guarantee contracts

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

- Other financial assets

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

Debt instruments measured at FVOCI

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

Fair value determination

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

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

Derecognition

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) Guarantee fee and security

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

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

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

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

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

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

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

(k) Financial guarantee insurance results

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

Gross premiums

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

Unearned premium reserve

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(k) Financial guarantee insurance results (cont'd.)***Unexpired risk reserve*

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

Claim liabilities

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

(l) Reinsurance

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

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

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

(m) Financial liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Financial guarantee insurance liabilities

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

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

Premium liabilities

Premium liabilities refer to the greater of:

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

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

Claims liabilities

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

The claims liability consists of two reserves. These being:

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

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

(o) Bills and acceptance payable

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

(p) Equity instruments

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

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(q) Employee benefits**

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

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

The Group's and the Bank's contribution to the Employees Provident Fund ("EPF") are charged to the statements of profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

(r) Government grants

Government grants are recognised at their fair value in the statements of financial position where there is a reasonable assurance that the grants will be received and all attaching conditions will be complied with. The Government grants are presented in the statements of financial position as "Infrastructure Support Fund" ("ISF") and "deferred income".

ISF relates to fund received from the Government to cover the potential risk of loan/financing default, any allowance for impairment losses, write-off and other liquidity requirements that may arise. It is also to cover the contingent liabilities of the Bank i.e. guarantees, standby credits and performance bonds.

Deferred income comprises claims received in relation to profit rate differentials on financing of Government infrastructure project.

Grants that compensate the Group and the Bank for expenses incurred are recognised as income over the period necessary to match the grants on a systematic basis to the costs that it is intended to compensate.

(s) Provisions

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(t) Contingent liabilities

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers/customers and litigation cases against the Group and the Bank. Contingent liabilities are disclosed in the notes to the accounts, unless the possibility of an outflow of resources embodying economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(u) Disposal groups and assets held for sale**

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.

(v) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) Interest/finance income and similar income

For all financial instruments measured at amortised cost, interest/profit bearing financial assets classified as FVOCI and financial instruments designated at FVTPL, interest/finance income is recorded using the effective interest/profit rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest/profit rate, but not future credit losses.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(v) 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 the leased asset over the lease period.

Fee income

Fee-based income from charging administrative fees such as processing fee, arrangement fee and facility fee is recognised upon satisfaction of performance obligation. Fee-based income is also derived from provision of guarantee based on *kafalah* contract.

(iii) Income recognition for leasing, hire purchase financing, pre-factoring and factoring

Income earned on leasing, hire purchase, pre-factoring and factoring financing is recognised based on the effective interest/profit method.

(iv) Other revenue recognition

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

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

(v) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**2.4 Summary of Significant Accounting Policies (cont'd.)****(w) Income Taxes****(i) Current tax**

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

Current taxes are recognised in the statements of profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affect neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the statements of profit or loss is recognised outside the statements of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(x) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements with original maturity of less than one month held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements involved making certain judgements and estimates, that affect the accounting policies applied and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial statements in the period of which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on amount recognised in the financial statements include the following:

Judgements

In the process of applying the Group and the Bank accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements.

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

The Group and the Bank review the debt instruments at FVOCI and financial investments at amortised cost under MFRS 9 which requires the recognition of ECL at each reporting date to reflect changes in credit risk of the financial investments not at FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

In carrying out the review, the following management's judgment are required:

- (i) Determination whether the investment is impaired or has significant increase in credit risk based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of ECL that reflect:
 - (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - (b) The time value of money; and
 - (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

The Group and the Bank make certain judgement in determining the ECL to be recognised on loans, financing and advances. The Group and the Bank ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- (i) Internal credit grading model, which assigns PD to the individual grades;
- (ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment;
- (iii) The segmentation of financial assets when their ECL is assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;
- (v) Determination of associations between macroeconomic scenarios and, economic inputs, such as oil price forecast, USD exchange rate and the effect on PD, EAD and LGD, including assessing for potential impact from the deterioration in oil price and the COVID-19 pandemic in 2021;
- (vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models; and
- (vii) The net realisable value of collateral.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)**Judgements (cont'd.)****(b) Impairment of loans, financing and advances (Note 8 and Note 41) (cont'd.)****Overlays and adjustments for ECL amid COVID-19 environment**

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2021.

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

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

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

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 pandemic. The impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount of RM322.0 million (2020: RM273.8 million) representing 9.3% (2020: 8.8%) of total ECL of the Bank as at 31 December 2021. Management overlays made amounting to RM323.5 million (2020: RM274.8 million) representing 9.3% (2020: 8.7%) of total ECL of the Group as at 31 December 2021.

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

The Group and the Bank assess whether there is any indication that an investment in subsidiaries, interest in associates and JV may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review which comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgments made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries, interest in an associates and JV are as follows:

- (i) The Group and the Bank determine whether the investments are impaired following certain indications of impairment such as, amongst others, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and
- (ii) Depending on their nature and the location in which the investments relate to, judgments are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

(d) Impairment of non-financial assets (Note 15, Note 17 and Note 18(a))

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such indication or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group and the Bank bases its VIU calculation on detailed budgets and forecast calculations. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

Estimates

Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future period affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

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

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year.

Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

(b) Income taxes (Note 43)

Significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

(c) Leases (Note 18) – Estimating the incremental borrowing rate

The Group and the Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group and the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group and the Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(d) Valuation of financial guarantee insurance liabilities

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

The FGI liabilities comprise:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

Estimates (cont'd.)

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

(i) Best estimates of claim liabilities

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

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

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

Incurred But Not Reported(i) Methodology

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

(ii) Assumptions

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

(ii) Best estimates of premium liabilities

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

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

Unearned premium reserve(i) Methodology

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

(ii) Assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

Estimates (cont'd.)

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

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

Unexpired risk reserve(i) Methodology

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

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

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

(ii) Assumptions

The following assumptions have been adopted:

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

Estimates (cont'd.)

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

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

(i) Methodology

- PRAD is determined for claims liability and the URR separately.
- The claims liability PRAD depends on nature of claims notified. In the event where full provision has been made against a particular claim, the corresponding PRAD will be set to zero as there is no potential for future claims escalation.
- The URR PRAD is determined using the distribution of portfolio losses calculated by the credit risk reserving model and has been set at the 75% confidence level.
- The approach for determining the URR PRAD will be reviewed as the size of the FGI portfolio grows. Volatility in the PRAD as a percentage of the best estimate is expected at this stage in operations.

(ii) Assumptions

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

(iv) Reinsurance

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

(i) Methodology

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

(ii) Assumptions

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

4. CASH AND SHORT TERM DEPOSITS

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

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

The weighted average effective interest rates ("WAEIR") of deposits and the average maturity of deposits of the Group and the Bank at the reporting date were as follows:

	Group		Bank	
	2021	2020	2021	2020
WAEIR (%)	2.01	1.91	1.78	1.83
Average maturity (Days)	142	72	22	32

6. FINANCIAL INVESTMENTS AT FVTPL

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

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

7. FINANCIAL INVESTMENTS AT FVOCI

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

7. FINANCIAL INVESTMENTS AT FVOCI (CONT'D.)

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

Group	Lifetime ECL			Total RM'000
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
2021				
At 1 January	541	65,108	–	65,649
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	–	–
Acquisition of a subsidiary	1,137	–	–	1,137
Net allowance made	193	51,408	–	51,601
New financial investments purchased	93	–	–	93
Net allowance made	100	51,408	–	51,508
At 31 December	1,367	117,020	–	118,387
2020				
At 1 January	940	55,304	–	56,244
Net (write back)/allowance made	(399)	9,804	–	9,405
New financial investments purchased	4	–	–	4
Net (write back)/allowance made	(403)	9,804	–	9,401
At 31 December	541	65,108	–	65,649

Bank	Lifetime ECL			Total RM'000
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
2021				
At 1 January	541	65,108	–	65,649
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	–	–
Net allowance made	190	51,408	–	51,598
New financial investments purchased	85	–	–	85
Net allowance made	105	51,408	–	51,513
At 31 December	227	117,020	–	117,247
2020				
At 1 January	940	55,304	–	56,244
Net (write back)/allowance made	(399)	9,804	–	9,405
New financial investments purchased	4	–	–	4
Net (write back)/allowance made	(403)	9,804	–	9,401
At 31 December	541	65,108	–	65,649

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. LOANS, FINANCING AND ADVANCES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. LOANS, FINANCING AND ADVANCES (CONT'D.)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. LOANS, FINANCING AND ADVANCES (CONT'D.)

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

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

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

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

- (vii) Movements in gross loans, financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2021				
At 1 January	14,898,353	1,723,153	2,116,328	18,737,834
– Transfer to 12-month ECL (Stage 1)	50,861	(31,852)	(19,009)	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(286,249)	365,675	(79,426)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(92,026)	(128,554)	220,580	–
Remeasurement, net	1,647,263	272,573	(48,026)	1,871,810
New accounts	1,067,208	3,415	–	1,070,623
Matured accounts	(1,986,093)	(793)	(12,136)	(1,999,022)
Written-off	–	–	(118,714)	(118,714)
At 31 December	15,299,317	2,203,617	2,059,597	19,562,531
2020				
At 1 January	15,129,881	892,113	2,216,787	18,238,781
– Transfer to 12-month ECL (Stage 1)	425,766	(425,766)	–	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,217,745)	1,217,745	–	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(9,291)	(24,898)	34,189	–
Remeasurement, net	(35,946)	76,769	(56,567)	(15,744)
New accounts	949,842	–	–	949,842
Matured accounts	(344,154)	(12,810)	(2,367)	(359,331)
Written-off	–	–	(75,714)	(75,714)
At 31 December	14,898,353	1,723,153	2,116,328	18,737,834

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. LOANS, FINANCING AND ADVANCES (CONT'D.)

(vii) Movements in gross loans, financing and advances are as follows (cont'd.):

Bank	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2021				
At 1 January	14,739,219	1,686,162	2,093,919	18,519,300
- Transfer to 12-month ECL (Stage 1)	32,571	(13,907)	(18,664)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(273,988)	353,414	(79,426)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(82,684)	(124,429)	207,113	-
Remeasurement, net	1,398,492	292,357	(47,546)	1,643,303
New accounts	834,204	-	-	834,204
Matured accounts	(1,556,616)	-	(10,735)	(1,567,351)
Written-off	-	-	(118,714)	(118,714)
At 31 December	15,091,198	2,193,597	2,025,947	19,310,742
2020				
At 1 January	14,976,056	883,369	2,200,280	18,059,705
- Transfer to 12-month ECL (Stage 1)	425,766	(425,766)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,185,557)	1,185,557	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	-	(22,633)	22,633	-
Remeasurement, net	76,679	78,445	(58,641)	96,483
New accounts	489,138	-	-	489,138
Matured accounts	(42,863)	(12,810)	-	(55,673)
Written-off	-	-	(70,353)	(70,353)
At 31 December	14,739,219	1,686,162	2,093,919	18,519,300

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. LOANS, FINANCING AND ADVANCES (CONT'D.)

(ix) Movements in the allowance for impairment of loans, financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2021				
At 1 January	1,135,555	675,650	1,342,560	3,153,765
- Transfer to 12-month ECL (Stage 1)	18,354	(5,525)	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,664)	91,695	(59,031)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(100,876)	114,947	-
Allowance made, net	372,261	25,200	46,602	444,063
Amount written off	-	-	(109,906)	(109,906)
At 31 December	1,479,435	686,144	1,322,343	3,487,922
2020				
At 1 January	870,590	270,967	1,395,452	2,537,009
- Transfer to 12-month ECL (Stage 1)	63,881	(63,881)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(133,333)	133,333	-	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(38)	(162)	200	-
Allowance made, net	334,455	335,393	22,052	691,900
Amount written off	-	-	(75,144)	(75,144)
At 31 December	1,135,555	675,650	1,342,560	3,153,765
Bank				
2021				
At 1 January	1,129,228	673,057	1,322,598	3,124,883
- Transfer to 12-month ECL (Stage 1)	18,147	(5,318)	(12,829)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	91,853	(59,031)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	-
Allowance made, net	372,691	18,245	39,866	430,802
Amount written off	-	-	(109,906)	(109,906)
At 31 December	1,473,173	683,915	1,288,691	3,445,779
2020				
At 1 January	864,539	270,538	1,378,943	2,514,020
- Transfer to 12-month ECL (Stage 1)	63,881	(63,881)	-	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(132,313)	132,313	-	-
Allowance made, net	333,121	334,087	13,561	680,769
Amount written off	-	-	(69,906)	(69,906)
At 31 December	1,129,228	673,057	1,322,598	3,124,883

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9. INSURANCE RECEIVABLES

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

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

10. REINSURANCE ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

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11. OTHER ASSETS

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

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from Syarikat Borcos Shipping Sdn Bhd ("Borcos"), a former subsidiary of Global Maritime Ventures Berhad ("GMVB") amounting to RM280,185,000 (2020: RM289,563,000).

(ii) Allowance for doubtful debts

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

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

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES

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

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

* Refer to Note 50 for the list of subsidiaries.

(a) Subsidiary with significant non-controlling interest

The summarised financial information of Global Maritime Ventures Berhad (“GMVB”) which have significant non-controlling interests to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination:

(i) Summarised statement of financial position

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

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

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

(ii) Summarised statement of comprehensive income

	GMVB	
	2021 RM'000	2020 RM'000
Other income	14,726	2,335
Administrative expenses	(6,975)	(587)
Share of (loss)/profit of joint ventures and associates	(2)	4
Gain on deconsolidation of dissolve companies	-	59
Profit before taxation	7,749	1,811
Taxation	(497)	(599)
Zakat	(83)	(1,532)
Profit/(loss) for the year	7,169	(320)
Other comprehensive income/(loss):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation reserve	384	(179)
	384	(179)
Total comprehensive income/(loss) for the year	7,553	(499)

	GMVB	
	2021 RM'000	2020 RM'000
Profit/(loss) for the year attributable to:		
Equity holders of the parent	7,186	(302)
Non-controlling interest	(17)	(18)
	7,169	(320)
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	7,455	(427)
Non-controlling interest	98	(72)
	7,553	(499)

(iii) Summarised statement of cash flows

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

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(b) Dissolution of subsidiaries

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

In the prior year, GMV-Jasa Sdn Bhd and GMV-Omni Sdn Bhd were dissolved and deconsolidated on 19 February 2020 and 19 November 2020 respectively.

Details of the deconsolidation of the subsidiaries as at the date of dissolution were as follows:

	Total RM'000
Assets	
Tax recoverable	22
Cash and bank balances	267
	289
Liabilities	
Payable and accruals	72
	72
Net assets	217
	At the date of dissolution RM'000
Capital distribution received	276
Net identifiable assets disposed @ 100%	(217)
Gain on deconsolidation	59
The effect of the disposal on cash flows is as follows:	
Cash and bank balances of dissolved companies	(267)
Cash outflow to the Group on dissolution	(267)

13. INTEREST IN ASSOCIATES

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

NOTES TO THE FINANCIAL STATEMENTS

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13. INTEREST IN ASSOCIATES (CONT'D.)

Details of the associates incorporated in Malaysia are as follows:

Name of Associates (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2021 %	2020 %	
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
Profound Kestrel Laboratories Sdn Bhd *	49.0	49.0	Dormant

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

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

	Group	
	2021 RM'000	2020 RM'000
(a) Summarised statement of financial position		
Total assets	2,060	2,018
Total liabilities	256	208
(b) Summarised statement of profit or loss		
Revenue	-	26
Loss for the year	(11)	(4)
(c) Reconciliation of the summarised financial information		
Net assets at 1 January	1,810	1,796
Loss for the financial year	(11)	(4)
Other comprehensive income	5	18
Net assets at 31 December	1,804	1,810
Interest in associates	30%	30%
Carrying value of Group's interest in associates	541	543

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14. INTEREST IN JOINT VENTURES

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

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

Details of the JV are as follows:

Name of JV (incorporated in Malaysia)	Effective interest held by the Group		Principal Activities
	2021 %	2020 %	
Held through GMVB, a subsidiary:			
Alam Eksplorasi (M) Sdn Bhd ^	36.00	36.00	Ship-owning, ship operator, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy III (L) Inc ^	36.00	36.00	Ship-owning, ship operator and charter hire of vessel

^ Collectively known as Alam Group

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14. INTEREST IN JOINT VENTURES (CONT'D.)

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

	2021 RM'000	2020 RM'000
(a) Summarised statement of financial position		
Assets:		
Current assets	15,516	56,244
Total assets	15,516	56,244
Liabilities:		
Current liabilities	58,255	89,201
Total liabilities	58,255	89,201
Net liabilities	(42,739)	(32,957)
(b) Summarised statement of profit or loss		
Revenue	-	-
Cost of sales	(7,466)	(7,562)
Gross loss	(7,466)	(7,562)
Other income	119	3,906
Operating expenses	(503)	(13,297)
Loss from operations	(7,850)	(16,953)
Finance costs	(1,932)	(741)
Loss before taxation	(9,782)	(17,694)
Taxation	-	-
Loss for the year	(9,782)	(17,694)
(c) Reconciliation of the summarised financial information		
Net liabilities at 1 January	(32,957)	(15,263)
Loss for the year	(9,782)	(17,694)
Net liabilities at 31 December	(42,739)	(32,957)
Interests in joint ventures	25,643	3,439
Carrying value of Group's interest in joint ventures	(17,096)	(29,518)
Less: Cumulative unrecognised losses b/f	29,518	22,549
Share of unrecognised losses for the year	(12,422)	6,969
Net carrying value of Group's interest in joint ventures	-	-

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15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land and buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in-progress RM'000	Total RM'000
2021								
Cost								
At 1 January	17,973	71,617	30,300	2,116	2,978	46,217	1,114	172,315
Additions	-	-	4,514	-	-	43	326	4,883
Reclassification	-	-	129	-	-	493	(622)	-
Disposals/write-off	-	-	(205)	-	-	(5)	-	(210)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(536)	(536)
Acquisition of a subsidiary	-	-	2,189	5	2,460	3,946	-	8,600
At 31 December	17,973	71,617	36,927	2,121	5,438	50,694	282	185,052
Accumulated depreciation								
At 1 January	-	18,151	25,119	1,177	2,863	40,583	-	87,893
Charge for the year	-	1,431	1,589	356	116	1,194	-	4,686
Charge borne by a related party	-	-	-	-	-	1	-	1
Disposals/write-off	-	-	(121)	-	-	(5)	-	(126)
Acquisition of a subsidiary	-	-	2,087	(2)	2,452	3,666	-	8,203
At 31 December	-	19,582	28,674	1,531	5,431	45,439	-	100,657
Net carrying amount	17,973	52,035	8,253	590	7	5,255	282	84,395
2020								
Cost								
At 1 January	17,973	71,617	27,996	2,452	2,978	40,370	6,446	169,832
Additions	-	-	2,304	-	-	-	515	2,819
Reclassification	-	-	-	-	-	5,847	(5,847)	-
Disposals/write-off	-	-	-	(336)	-	-	-	(336)
At 31 December	17,973	71,617	30,300	2,116	2,978	46,217	1,114	172,315
Accumulated depreciation								
At 1 January	-	16,716	23,600	1,151	2,394	39,460	-	83,321
Charge for the year	-	1,435	1,519	362	469	1,123	-	4,908
Disposals/write-off	-	-	-	(336)	-	-	-	(336)
At 31 December	-	18,151	25,119	1,177	2,863	40,583	-	87,893
Net carrying amount	17,973	53,466	5,181	939	115	5,634	1,114	84,422

NOTES TO THE FINANCIAL STATEMENTS

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15. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Mechanical and electricals RM'000	Capital work-in- progress RM'000	Total RM'000
2021								
Cost								
At 1 January	17,973	71,617	26,834	1,749	2,949	46,217	1,114	168,453
Additions	-	-	4,415	-	-	43	326	4,784
Reclassification	-	-	129	-	-	493	(622)	-
Disposals/write off	-	-	(122)	-	-	-	-	(122)
Transfer to intangible assets (Note 17)	-	-	-	-	-	-	(536)	(536)
At 31 December	17,973	71,617	31,256	1,749	2,949	46,753	282	172,579
Accumulated depreciation								
At 1 January	-	18,151	21,893	812	2,834	40,583	-	84,273
Charge for the year	-	1,431	1,494	350	115	1,147	-	4,537
Disposals/write off	-	-	(38)	-	-	-	-	(38)
At 31 December	-	19,582	23,349	1,162	2,949	41,730	-	88,772
Net carrying amount	17,973	52,035	7,907	587	-	5,023	282	83,807
2020								
Cost								
At 1 January	17,973	71,617	24,679	2,085	2,949	40,370	6,446	166,119
Additions	-	-	2,155	-	-	-	515	2,670
Reclassification	-	-	-	-	-	5,847	(5,847)	-
Disposals/write off	-	-	-	(336)	-	-	-	(336)
At 31 December	17,973	71,617	26,834	1,749	2,949	46,217	1,114	168,453
Accumulated depreciation								
At 1 January	-	16,716	20,435	786	2,365	39,460	-	79,762
Charge for the year	-	1,435	1,458	362	469	1,123	-	4,847
Disposals/write off	-	-	-	(336)	-	-	-	(336)
At 31 December	-	18,151	21,893	812	2,834	40,583	-	84,273
Net carrying amount	17,973	53,466	4,941	937	115	5,634	1,114	84,180

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENT PROPERTIES

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

- (i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank to be RM560,000 (2020: RM400,000) and RM560,000 (2020: RM400,000) respectively which have been determined by an accredited independent valuer.

17. INTANGIBLE ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

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18. LEASES

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

Group	Properties RM'000	Other equipment RM'000	Total RM'000
2021			
Cost			
At 1 January	–	669	669
Addition	–	87	87
Matured	–	(247)	(247)
Acquisition of a subsidiary	4,367	–	4,367
At 31 December	4,367	509	4,876
Depreciation			
At 1 January	–	338	338
Charge for the year	216	165	381
Charge borne by related party	6	–	6
Matured for the year	–	(247)	(247)
Acquisition of a subsidiary	3,552	–	3,552
At 31 December	3,774	256	4,030
Carrying amount	593	253	846
Group		Other equipment RM'000	Total RM'000
2020			
Cost			
At 1 January		497	497
Addition		172	172
At 31 December		669	669
Depreciation			
At 1 January		140	140
Charge for the year		198	198
At 31 December		338	338
Carrying amount		331	331

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

18. LEASES (CONT'D.)

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

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

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

Group	Properties RM'000	Other equipment RM'000	Total RM'000
2021			
At 1 January	-	344	344
Addition during the year	-	87	87
Accretion of interest	6	19	25
Payments	(228)	(187)	(415)
Acquisition of a subsidiary	826	-	826
At 31 December	604	263	867
Current	604	96	70
Non-current	-	167	167
	604	263	867
2020			
At 1 January		354	354
Addition during the year		172	172
Accretion of interest		29	29
Payments		(211)	(211)
At 31 December		344	344
Current		26	26
Non-current		318	318
		344	344

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

18. LEASES (CONT'D.)

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

Bank	Other equipment	
	2021 RM'000	2020 RM'000
At 1 January	313	309
Addition during the year	87	172
Accretion of interest	17	27
Payments	(172)	(195)
At 31 December	245	313
Current	95	25
Non-current	150	288
	245	313

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

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

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

Group	Other equipment RM'000	Total RM'000
2020		
Depreciation expense of right-of-use assets	198	198
Interest expense on lease liabilities (Note 33)	17	17
Finance cost on lease liabilities (Note 54(r))	12	12
Expense relating to leases of low-value assets (included in overhead expenses)	337	337
Total amount recognised in profit or loss	564	564

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

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19. DEFERRED TAX ASSETS/(LIABILITIES)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The components and movements of deferred tax assets and liabilities during the year prior to offsetting are as follows:

Deferred tax assets

Group	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Provisions and other temporary differences RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2021	176,634	–	3,313	2,034	181,981
Recognised in statement of profit or loss	83,923	14,043	586	80	98,632
Recognised in other comprehensive income	–	16,835	–	–	16,835
Acquisition of a subsidiary	–	–	478	(14)	464
At 31 December 2021	260,557	30,878	4,377	2,100	297,912
At 1 January 2020	65,478	–	5,848	3,390	74,716
Recognised in statement of profit or loss	111,156	–	(2,535)	(1,356)	107,265
At 31 December 2020	176,634	–	3,313	2,034	181,981

Deferred tax liabilities

Group	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2021	(239)	(65,210)	(189)	(65,638)
Recognised in statement of profit or loss	367	(7,813)	(541)	(7,987)
Recognised in other comprehensive income	–	73,439	–	73,439
Acquisition of a subsidiary	–	(6,274)	–	(6,274)
At 31 December 2021	128	(5,858)	(730)	(6,460)
At 1 January 2020	(267)	(33,723)	(588)	(34,578)
Recognised in statement of profit or loss	28	951	399	1,378
Recognised in other comprehensive income	–	(32,438)	–	(32,438)
At 31 December 2020	(239)	(65,210)	(189)	(65,638)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

Deferred tax assets

Bank	Loan/ financing loss and allowances RM'000	Unrealised FVOCI reserve RM'000	Provisions and other temporary differences RM'000	Total RM'000
At 1 January 2021	177,110	–	2,886	179,996
Recognised in statement of profit or loss	83,899	14,043	529	98,471
Recognised in other comprehensive income	–	16,835	–	16,835
At 31 December 2021	261,009	30,878	3,415	295,302
At 1 January 2020	65,338	–	5,541	70,879
Recognised in statement of profit or loss	111,772	–	(2,655)	109,117
At 31 December 2020	177,110	–	2,886	179,996

Deferred tax liabilities

Bank	Unrealised FVOCI reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2021	(65,210)	1	(65,209)
Recognised in statement of profit or loss	(7,812)	(541)	(8,353)
Recognised in other comprehensive income	73,022	–	73,022
At 31 December 2021	–	(540)	(540)
At 1 January 2020	(33,542)	(398)	(33,940)
Recognised in statement of profit or loss	951	399	1,350
Recognised in other comprehensive income	(32,619)	–	(32,619)
At 31 December 2020	(65,210)	1	(65,209)

NOTES TO THE FINANCIAL STATEMENTS

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20. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2021 RM'000	2020 RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	5,974,752	5,346,836
(a) The deposits are sourced from the following types of deposit:		
Tawarruq	5,974,752	5,346,836
(b) The deposits are sourced from the following types of customers:		
Business enterprises	2,880,530	1,462,647
Government and statutory bodies	3,094,222	3,884,189
	5,974,752	5,346,836
(c) The deposits maturity structure are as follows:		
Less than six months	5,039,201	4,872,156
Six months to one year	584,378	131,416
One year to three years	280,362	161,300
Three years to five years	70,811	181,964
	5,974,752	5,346,836

21. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

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

NOTES TO THE FINANCIAL STATEMENTS

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22. PREMIUM LIABILITIES

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

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

23. INSURANCE PAYABLES

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

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

24. OTHER LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

25. REDEEMABLE NOTES/SUKUK

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

- (i) This note carries a coupon rate of 6.30% per annum with a tenure of 15 years. This note will mature in April 2021.
- (ii) These sukuk carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2027, 2032 and November 2026, 2031 and 2035 respectively.
- (iii) These sukuk carry profit rates ranging between 2.80% to 4.05% per annum and for tenures of 5 years to 10 years. These sukuk will mature in June 2026, 2028, 2031 and October 2025, 2027 and 2030 respectively.
- (iv) This sukuk carries a profit rate of 3.95% with a tenure of 7 years. This sukuk will mature in October 2028.
- (v) These notes carry coupon rates ranging between 4.52% to 5.08% per annum and for tenures of 7 to 15 years. These notes will mature in January 2023 and 2031.
- (vi) These sukuk carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These sukuk will mature in September 2021, 2024, 2029, 2034 and October 2027 respectively.
- (vii) This note has a maturity of 25 years with nominal value of RM200,000,000 (2020: RM250,000,000), which carries a coupon rate of 7.50% (2020: 7.50%) per annum. The note will mature in October 2025.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

25. REDEEMABLE NOTES/SUKUK (CONT'D.)

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

Group and Bank	Non-Murabahah		Murabahah	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Redeemable non-guaranteed notes/sukuk				
Principal				
At 1 January	400,000	400,000	3,000,000	3,000,000
Repayment during the year	(400,000)	-	-	-
At 31 December	-	400,000	3,000,000	3,000,000
Accrued interest/profit payable				
At 1 January	4,626	4,695	34,661	34,278
Charge for the year	7,733	25,269	139,971	140,548
Repayment/payment during the year	(12,359)	(25,338)	(140,165)	(140,165)
At 31 December	-	4,626	34,467	34,661
	-	404,626	3,034,467	3,034,661
Group and Bank	Sustainable Development Wakalah		Wakalah	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Redeemable non-guaranteed notes/sukuk				
Principal				
At 1 January	-	-	1,000,000	-
Issued during the year	450,000	-	1,250,000	1,000,000
At 31 December	450,000	-	2,250,000	1,000,000
Accrued interest/profit payable				
At 1 January	-	-	6,598	-
Charge for the year	3,311	-	56,088	6,598
Repayment/payment during the year	-	-	(53,032)	-
At 31 December	3,311	-	9,654	6,598
	453,311	-	2,259,654	1,006,598

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

25. REDEEMABLE NOTES/SUKUK (CONT'D.)

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

Group	Non-Murabahah		Murabahah	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Redeemable guaranteed notes/sukuk				
Principal				
At 1 January	500,000	500,000	3,000,000	3,000,000
Payment during the year	-	-	(700,000)	-
Acquisition of a subsidiary	-	-	500,000	-
At 31 December	500,000	500,000	2,800,000	3,000,000
Accrued interest/profit payable				
At 1 January	10,718	10,718	41,441	41,969
Charge for the year	24,000	24,066	133,109	137,101
Repayment/payment during the year	(24,000)	(24,066)	(137,630)	(137,629)
Acquisition of a subsidiary	-	-	1,710	-
At 31 December	10,718	10,718	38,630	41,441
	510,718	510,718	2,838,630	3,041,441

Bank	Non-Murabahah		Murabahah	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Redeemable guaranteed notes/sukuk				
Principal				
At 1 January	500,000	500,000	3,000,000	3,000,000
Payment during the year	-	-	(700,000)	-
At 31 December	500,000	500,000	2,300,000	3,000,000
Accrued interest/profit payable				
At 1 January	10,718	10,718	41,441	41,969
Charge for the year	24,000	24,066	129,098	137,101
Repayment/payment during the year	(24,000)	(24,066)	(137,630)	(137,629)
At 31 December	10,718	10,718	32,909	41,441
	510,718	510,718	2,332,909	3,041,441

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31 December 2021

25. REDEEMABLE NOTES/SUKUK (CONT'D.)

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

Group and Bank	2021 RM'000	2020 RM'000
Infrastructure notes		
Principal		
At 1 January	250,000	300,000
Repayment during the year	(50,000)	(50,000)
At 31 December	200,000	250,000
Unaccrued discount		
At 1 January	(1,964)	(2,371)
Accrued discount during the year	407	407
At 31 December	(1,557)	(1,964)
Accrued interest payable		
At 1 January	3,236	3,883
Charge for the year	18,093	21,914
Repayment during the year	(18,699)	(22,561)
At 31 December	2,630	3,236
	201,073	251,272

26. BORROWINGS

Group and Bank	31 December 2021		31 December 2020	
	Due after twelve months RM'000	Due within twelve months RM'000	Due after twelve months RM'000	Due within twelve months RM'000
Loans from Employees Provident Fund ("EPF")				
Unsecured:				
Principal	150,000	–	500,000	–
Interest	–	2,540	–	8,466
	150,000	2,540	500,000	8,466
Total borrowings		152,540		508,466

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

26. BORROWINGS (CONT'D.)

The movements in borrowings are as follows:

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

Loan from EPF

Group and Bank	Principal	
	2021 RM'000	2020 RM'000
Loan	150,000	500,000
	150,000	500,000

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

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

27. INFRASTRUCTURE SUPPORT FUND ("ISF")

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

- (i) The amount relates to financial assistance given by the Government of Malaysia upon novation of loans and the related borrowing to finance the loans to the Bank. The Fund will be utilised to cover any future losses, costs and expenses incurred by the Bank upon the final settlement of the loans.
- (ii) The amount relates to funds received from the Government to cover losses arising from loan/financing default, any allowance for impairment losses, write-off and other liquidity requirements that may arise from loans/financing given for government infrastructure projects.

NOTES TO THE FINANCIAL STATEMENTS

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28. DEFERRED INCOME

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

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

29. SHARE CAPITAL

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

30. RESERVES

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

- (i) The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous financial years.
- (ii) The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.
- (iii) Merger deficit represents the difference between the consideration given and the carrying value of net asset value of a subsidiary acquired during the year under the merger accounting principle (Note 51(iii)).
- (iv) Unrealised FVOCI reserve represents the cumulative fair value changes and allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

30. RESERVES (CONT'D.)

Movements of the FVOCI reserve are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	271,830	160,311	271,830	159,749
Unrealised (loss)/gain on fair value changes	(356,686)	135,508	(358,433)	135,116
Changes in allowance for expected credit losses	51,601	9,405	51,598	9,405
Transfer to retained profits on the disposal of equity instruments at FVOCI	9,083	(956)	9,083	179
Transfer to deferred tax	90,274	(32,438)	89,857	(32,619)
At 31 December	66,102	271,830	63,935	271,830

- (v) The exchange translation deficit represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

31. RETAINED PROFITS

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

32. INTEREST INCOME

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

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

33. INTEREST EXPENSE

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

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31 December 2021

34. NET EARNED PREMIUMS

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

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

35. NON-INTEREST INCOME

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

36. REFUND OF GOVERNMENT COMPENSATION

During the year, a loan provided to a borrower funded by the ISF has been repaid. As a result of the repayment, an amount of RM1,369,912 (2020: RM3,093,605) relating to the ISF recognised as income in prior years to compensate for impairment allowance made on the borrower was refunded to the ISF and recognised as an expense in the current year.

37. NET CLAIM RECOVERED

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

38. OVERHEAD EXPENSES

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

38. OVERHEAD EXPENSES (CONT'D.)

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(i) Personnel costs				
Salaries, allowances and bonuses	63,336	42,300	54,920	37,695
Non-executive Directors' fees and remuneration	1,021	1,093	932	1,064
Social security cost	433	407	368	359
Pension costs – Defined contribution plan	8,937	7,774	7,493	7,033
Other staff related expenses	5,628	5,990	4,627	5,732
	79,355	57,564	68,340	51,883
(ii) Establishment related expenses				
Depreciation:				
Property, plant and equipment	4,686	4,908	4,537	4,847
Investment properties	8	7	8	7
Right-of-use assets	381	198	152	185
Amortisation of intangible assets	2,642	2,637	2,530	2,504
Repairs and maintenance of property, plant and equipment	2,038	1,615	1,768	1,597
Information technology expenses	6,044	4,997	5,484	4,138
	15,799	14,362	14,479	13,278
(iii) Promotion and marketing expenses				
Advertisement and publicity	1,981	2,052	1,971	2,051
(iv) General administrative expenses				
General administrative expenses	32,033	13,962	29,267	15,951
Payment to EPF for early settlement of loan	17,510	17,984	17,510	17,984
Auditors' remuneration:				
– Statutory audit				
– Current year	1,115	1,107	758	720
– Non-audit services				
– regulatory related services	73	80	26	27
Property, plant and equipment written off	84	–	84	–
	50,815	33,133	47,645	34,682

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

39. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows:

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

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39. PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER AND DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the President/Group Chief Executive Officer and Directors of the Bank are as follows (cont'd.):

2020	Remuneration received and receivable from the Bank							Remuneration received and receivable from Subsidiary Companies			
	Salary RM'000	Fees RM'000	Bonus RM'000	Pension cost RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Bank total RM'000	Fees RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Group total RM'000
President/Group Chief Executive Officer											
Arshad bin Mohamed Ismail	510	-	-	88	74	-	672	-	-	-	672
	510	-	-	88	74	-	672	-	-	-	672
Non-Executive Directors:											
Datuk Zaiton binti Mohd Hassan	-	180	-	-	121	9	310	-	-	-	310
Dato' Othman bin Semail	-	48	-	-	56	-	104	-	-	-	104
Dr. Mohamed Ashraf bin Mohamed Iqbal	-	48	-	-	116	-	164	-	12	-	176
Dato' Wan Mohd Fadzmi bin Che Wan	-	48	-	-	91	-	139	-	7	-	146
Othman Fadzilah	-	48	-	-	74	-	122	-	4	-	126
Ariff bin Rozhan	-	34	-	-	46	-	80	-	-	-	80
Tan Lye Sim	-	36	-	-	53	-	89	-	4	-	93
Tan Sri Dr. Rahamat Bivi binti Yusoff	-	18	-	-	38	-	56	-	2	-	58
Norazilla binti Md Tahir	-	460	-	-	595	9	1,064	-	29	-	1,093
Total	510	460	-	88	669	9	1,736	-	29	-	1,765

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40. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Key management personnel are defined as President/Group Chief Executive Officer and Directors of the Bank, executive and non-executive having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly. The remuneration and compensation of the President/Group Chief Executive Officer and Directors of the Bank during the financial year are as follows:

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

41. ALLOWANCE FOR IMPAIRMENT LOSSES OF LOANS, FINANCING AND ADVANCES

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

42. ALLOWANCES FOR IMPAIRMENT LOSSES ON OTHER ASSETS

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

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43. TAXATION

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

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

44. DIVIDENDS

Dividends recognised in the current year by the Bank are:

	2021		2020	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2020 ordinary, net of tax	2.44	75,000	–	–
Final 2019 ordinary, net of tax	–	–	3.25	100,000
Final 2019 special, net of tax	–	–	1.69	52,214
	2.44	75,000	4.94	152,214

At the forthcoming Annual General Meeting, a final single tier tax exempt dividend in respect of the financial year ended 31 December 2021, on 3,451,584,988 ordinary shares, amounting to a dividend payable of RM75,000,000 (2.17 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

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45. EARNINGS PER SHARE ("EPS")

The basic/diluted EPS of the Group are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

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

46. COMMITMENTS AND CONTINGENCIES

- (a) Loan and financing related commitments and contingencies of the Group and the Bank which are not included in these financial statements are as follows:

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

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

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

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47. CAPITAL ADEQUACY

Capital management

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.

Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis. In line with this objective, Bank Negara Malaysia ("BNM") has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ("RWCR") of 8% at all times as per BNM's Capital Framework for Development Financial Institutions. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

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

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

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

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

Without deducting proposed dividend:

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

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47. CAPITAL ADEQUACY (CONT'D.)

Capital management (cont'd.)

Regulatory capital (cont'd.)

After deducting proposed dividend:

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

Capital monitoring

The Bank's capital is closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Bank sets an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to Management and Board of Directors.

BNM Policy Document on Transitional Arrangement for Regulatory Capital Treatments of Accounting Provisions for DFI

On 11 December 2020, the Bank elected to apply the BNM Policy Document on Transitional Arrangement for Regulatory Capital Treatments of Accounting Provisions for DFI issued on 9 December 2020. The Policy Document was applied by the Bank in its financial statements for the financial year ended 31 December 2020 and will be applied for the next three-year financial years up to 31 December 2023.

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

	Bank Exposures Amount RM'000
Add-back	1,022,011
Total Stage 1 and Stage 2 ECL as at reporting date	2,157,088
Total Stage 1 and Stage 2 ECL as at beginning of the year on the year of election	1,135,077
Add-back factor as at reporting date during the year	100%

	Bank	
	Before Transitional Arrangement RM'000	After Transitional Arrangement RM'000
Total Tier 1 Capital	8,245,533	9,267,544
of which: Total Add-back	–	1,022,011
Total Additional Tier 1 Capital	–	1,022,011
Total Tier 2 Capital	2,651,324	1,629,313
of which: Loss provisions	2,157,088	1,135,077
Total RWA	24,153,858	24,153,858

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

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Government of Malaysia ("GOM") is a shareholder with significant influence on the Bank, with direct shareholding of 99.99% (2020: 99.99%). GOM and entities directly controlled by GOM are collectively referred to as government-related entities to the Group and the Bank.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel includes all the Directors of the Bank as disclosed in Note 40.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The Group established credit policies, pricing strategy and approval process for loans/financing, which are independent of whether the counter parties are government-related entities or not. The significant related party transactions and balances of the Group and the Bank are as follows:

48.1 Significant balances and transactions with a significant shareholder

(a) Significant balances with a significant shareholder

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

(b) Significant transactions with a significant shareholder

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

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

48.2 Significant balances and transactions with a significant shareholder's linked companies and bodies

(a) Significant balances with a significant shareholder's linked companies and bodies

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

(b) Significant transactions with a significant shareholder's linked companies and bodies

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

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

48.2 Significant balances and transactions with a significant shareholder's linked companies and bodies (cont'd.)

(b) Significant transactions with a significant shareholder's linked companies and bodies (cont'd.)

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

48.3 Significant balances and transactions with subsidiaries, associates and JVs

(a) Significant balances with subsidiaries, associates and JVs

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

(b) Significant transactions with subsidiaries, associates and JVs

	Bank	
	2021 RM'000	2020 RM'000
<u>Conventional</u>		
<u>Income</u>		
Rental income from subsidiaries	384	379
Fee Income from subsidiaries	480	447
<u>Expenses</u>		
Management fee expense from subsidiaries	(12)	(12)
	Group	
	2021 RM'000	2020 RM'000
<u>Key management personnel's remunerations</u>		
Salaries and benefits	7,677	-
Employer's EPF contribution	1,260	-
Director remuneration	1,762	-

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48. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

48.4 Significant balances and transactions with Group's related parties

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

	Group	
	2021 RM'000	2020 RM'000
<u>Other assets</u>		
Trade receivables due from related parties	9,553	9,226
<u>Other liabilities</u>		
Trade payables due to related parties	85	5

The credit exposures above are based on paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with related parties as follows:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder of the Bank and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;
- (iv) Officers who are responsible for or have authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan/financing commitments.

49. LOANS/FINANCING FACILITIES WITH CONNECTED PARTIES

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

The above disclosure on loans/financing facilities with connected parties is presented in accordance with para 14.1 as per BNM's policy on loans/financing facilities with connected parties, which became effective on 13 July 2016.

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50. COMPANIES IN THE GROUP

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

Subsidiary	Effective interest held by the Bank		Principal activities
	2021 %	2020 %	
BPMB Urus Harta Sdn Bhd @	100.00	100.00	Dormant
Emerald Upline Sdn Bhd	100.00	100.00	Dormant
Global Maritime Ventures Berhad	90.00	90.00	Venture capital investment
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Leasing and investment holding
SME Growth Acceleration Fund Sdn Bhd	100.00	100.00	Dormant
Danajamin Nasional Berhad* (Note 51)	100.00	–	Financial guarantee insurance

- (b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank		Principal activities
	2021 %	2020 %	
Nilam Navigation Sdn Bhd #	63.00	63.00	Dormant
Sari Navigation Sdn Bhd #	63.00	63.00	Dormant
Glory Incentive Sdn Bhd	90.00	90.00	Investment holding
GMV-Alam Sdn Bhd	90.00	90.00	Investment holding
GMV-Bahtera Sdn Bhd	90.00	90.00	Investment holding
GMV-Borcos Sdn Bhd #	90.00	90.00	Investment holding
GMV-Gagasan Sdn Bhd #	90.00	90.00	Investment holding
GMV-Global Sdn Bhd #	90.00	90.00	Investment holding
GMV-Efogen Sdn Bhd #	90.00	90.00	Investment holding
GMV-Regional Sdn Bhd	90.00	90.00	Dormant
GMV-Offshore Sdn Bhd	90.00	90.00	Investment holding

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50. 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		Principal activities
	2021 %	2020 %	
Ayu Navigation Sdn Bhd	63.00	63.00	Dormant

- (d) Details of a subsidiary company of GMV-Global Sdn Bhd, which is incorporated in Malaysia, are as follows:

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

- (e) Details of subsidiary companies of Pembangunan Leasing Corporation Sdn Bhd ("PLC"), all of which are incorporated in Malaysia, are as follows:

Subsidiary	Effective interest held by the Bank		Principal activities
	2021 %	2020 %	
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, factoring, insurance agency and letting of properties
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing

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

@ Placed under members' voluntary liquidation.

Placed under creditors voluntary liquidation.

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51. ACQUISITION OF A SUBSIDIARY

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

Assets acquired and liabilities

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

(i) Net Tangible Assets ("NTA")

The computation of carrying values of NTA is as follows:

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

(ii) Purchase Considerations

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

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

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

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51. ACQUISITION OF A SUBSIDIARY (CONT'D.)

(iii) Merger deficit

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

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

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

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

52. FINANCIAL INSTRUMENTS RISK

Financial risk management objectives and policies

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the enterprise wide risk exposure, which include credit, market, liquidity and operational risk and seek to minimise potential adverse effects on the financial performance of the Group and the Bank. As part of the Group's and the Bank's strategy to integrate the management and control of risks across the various risk segments, a dedicated function known as the Group Risk Management had been established.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence to Group financial risk management policies, which are reported to and approved by the Board of Directors ("BOD"). The BOD also approves the treasury policies, which cover the management of these risks.

The main areas of financial risks faced by the Group are set out as follows:

(a) Credit risk

Credit risk is the potential loss of revenue, either principal or profit or both, arising from customers or counterparties' failure or unwillingness to honour their contractual financial obligations in accordance with the agreed terms. It arises primarily from financing activities through financing as well as commitments to support customers' obligations to third parties i.e. guarantee. Trading and investing the surplus funds of the Group and the Bank, such as trading or holding of debt securities and deposit placements also expose the Group and the Bank to credit risk.

Credit risk management activities conducted by the Bank are within Credit Risk Management policies approved by the Board of Directors, which entails the entire credit value chain starting from credit risk assessment, credit approval, credit risk measurement, credit risk monitoring, credit concentration, problem credits, credit risk reporting and independent review.

Credit risk is principally managed through the establishment of financing directions, internal controls, risk appetite, policies and guidelines to enhance financing asset quality. Credit processes are structured to ensure adherence to credit policies and to establish impartiality in financing origination, approval, documentation, disbursement and settlement. The Bank has been proactively managing its credit risk exposures within acceptable parameters to enable the Bank to pursue its business directions sustainably.

All credit proposals are rated using an internal two dimensional credit rating system, which include the estimate of PD, LGD and EAD for all credit exposures to measure each customer's risk of default and facility risk. The Bank's internal credit rating scorecards have been periodically updated, with the latest review concluded in 2020, so as to ensure that the credit rating model remained robust and relevant with the changing business environment. The Bank embraces prudent credit decision making and only viable financing proposals with well-mitigated risk are considered for financing.

NOTES TO THE FINANCIAL STATEMENTS

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

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

(a) Credit risk (cont'd.)

Credit reviews on existing customers are performed at least once a year and more frequent on watch-list accounts to proactively manage any delinquencies, maximise recoveries and to ensure timely recognition of asset impairment and/or provisions. The staging of accounts are assessed according to the established triggers for MFRS 9 accounting standard in identifying significant increase in customer's credit risk.

In addition, the Bank has in place the Early Warning Signal ("EWS") guidelines which serve as an overarching document/process for assessing and monitoring credit risk to safeguard the Bank's assets.

Prudential limits are established according to various categories such as customer and industry sector to minimise concentration risk. Single Customer Limit ("SCL") captures Group exposure to manage the Bank's and subsidiaries' concentration risk to common group of customers at group level.

Sector limit for commercial financing is being observed to monitor undesirable concentration which could expose the Bank to higher risk of financing. Meanwhile, counterparty limits are in place to control over exposure to a single financial institution.

Collateral is taken whenever possible to reduce exposure at default. The value of collateral is monitored periodically through updated valuation. Policies and processes are in place to monitor collateral value.

The overall credit risk management is subject to an ongoing process for reviewing and enhancement from time to time so as to be in line with regulatory requirements. Audit is periodically performed by the Group Internal Audit to ensure that credit policies and procedures are complied with.

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

(i) Credit exposure

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

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

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

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

Group	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
2020								
Agriculture, hunting and forestry	-	-	-	11	-	-	11	-
Construction	-	-	673,951	8,587,263	-	-	9,261,214	4,231,300
Education	-	-	-	1,616,395	-	-	1,616,395	492,237
Electrical, gas and water supply	-	-	441,173	43,242	-	-	484,415	28,352
Finance, insurance/ takaful and business	1,221,010	-	4,074,976	99,908	-	-	5,395,894	109,403
Hotel and restaurants	-	-	-	773,089	-	-	773,089	613,017
Housing	-	-	-	4,622	-	-	4,622	-
Manufacturing	-	-	15,950	206,313	-	-	222,263	512,763
Marine related	-	-	-	296,824	-	-	296,824	150,025
Medical and pharmaceuticals	-	-	-	9,967	-	-	9,967	-
Other community, social and personal service activities	-	-	122,896	304,495	-	-	427,391	580,939
Public administration and defence	-	-	-	7,756	-	-	7,756	-
Real estate, renting and business activities	-	-	616,634	328,930	-	-	945,564	400,000
Shipping	-	45,566	76,286	586,734	-	-	708,586	93,807
Shipyard	-	-	-	64,922	-	-	64,922	-
Transport, storage and communications	-	-	-	2,653,598	-	-	2,653,598	135,118
Others	-	-	-	-	-	249,811	249,811	-
	1,221,010	45,566	6,021,866	15,584,069	-	249,811	23,122,322	7,346,961
Other assets not subject to credit risk	-	-	-	-	-	353,357	353,357	-
	1,221,010	45,566	6,021,866	15,584,069	-	603,168	23,475,679	7,346,961

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

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

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2. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

Bank	Short-term deposits, and placements with financial institutions RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, financing and advances RM'000	Insurance receivables RM'000	Other assets RM'000	Total RM'000	Commitments and contingencies RM'000
2020								
Construction	-	-	673,951	8,584,813	-	-	9,258,764	4,177,860
Education	-	-	-	1,616,395	-	-	1,616,395	492,237
Electrical, gas and water supply	-	-	441,173	43,242	-	-	484,415	28,352
Finance, insurance/ takaful and business	912,924	-	4,074,976	-	-	-	4,987,900	-
Hotel and restaurants	-	-	-	721,882	-	-	721,882	444,237
Housing	-	-	-	4,622	-	-	4,622	-
Manufacturing	-	-	15,950	202,623	-	-	218,573	444,365
Marine related	-	-	-	296,824	-	-	296,824	150,025
Medical and pharmaceuticals	-	-	-	9,967	-	-	9,967	-
Other community, social and personal service activities	-	-	122,896	298,017	-	-	420,913	559,289
Public administration and defence	-	-	-	7,756	-	-	7,756	-
Real estate, renting and business activities	-	-	616,634	328,930	-	-	945,564	400,000
Shipping	-	45,566	76,286	586,734	-	-	708,586	93,807
Shipyard	-	-	-	64,922	-	-	64,922	-
Transport, storage and communications	-	-	-	2,627,690	-	-	2,627,690	124,398
Others	-	-	-	-	-	240,927	240,927	-
	912,924	45,566	6,021,866	15,394,417	-	240,927	22,615,700	6,914,570
Other assets not subject to credit risk	-	-	-	-	-	592,807	592,807	-
	912,924	45,566	6,021,866	15,394,417	-	833,734	23,208,507	6,914,570

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31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Gross loans, financing and advances are rated based on internal rating by the Bank:

	2021				2020			
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Group								
Upper-medium grade	45,298	-	-	45,298	105,405	529	-	105,934
Medium grade	4,489,312	19,869	-	4,509,181	4,911,760	20,833	-	4,932,593
Speculative	6,526,828	12,415	-	6,539,243	6,168,128	7,323	-	6,175,451
Considered speculative	3,227,814	84,912	-	3,312,726	4,747,168	13,570	-	4,760,738
Poor standing	3,096,486	-	-	3,096,486	568,042	78,748	-	646,790
Impaired	-	-	2,059,597	2,059,597	-	-	2,116,328	2,116,328
	17,385,738	117,196	2,059,597	19,562,531	16,500,503	121,003	2,116,328	18,737,834
Bank								
Upper-medium grade	3,745	-	-	3,745	91,353	-	-	91,353
Medium grade	4,408,621	-	-	4,408,621	4,839,998	-	-	4,839,998
Speculative	6,463,217	-	-	6,463,217	6,086,502	-	-	6,086,502
Considered speculative	3,227,814	84,912	-	3,312,726	4,747,168	13,570	-	4,760,738
Poor standing	3,096,486	-	-	3,096,486	568,042	78,748	-	646,790
Impaired	-	-	2,025,947	2,025,947	-	-	2,093,919	2,093,919
	17,199,883	84,912	2,025,947	19,310,742	16,333,063	92,318	2,093,919	18,519,300

NOTES TO THE FINANCIAL STATEMENTS

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Aging analysis of impaired and past due but not impaired loans, financing and advances

Analysis of loans, financing and advances that are impaired and past due but not impaired based on the Group's and the Bank's internal credit rating system are as follows:

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

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31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

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

* Exclude prepayments

(vi) Collateral and credit enhancement for loans, financing and advances

Collateral represents the asset pledged by a borrower/customer and/or a third party on behalf of the borrower/customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Group and the Bank, and subject to seizure in the event of default. Collateral provides the Bank with a secondary repayment/payment source, i.e. a source of fund to help recover its investment if the borrower/customer is unable to repay/pay the facility obtained from the Group and the Bank.

The Group and the Bank would consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral amounts and types held by the Group and the Bank are as in the next page:

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

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

Collateral by amount

	2021				2020			
	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000	Secured RM'000	Unsecured RM'000	Total RM'000	Total Estimated fair value of collateral RM'000
Group								
Past due but not impaired	-	117,196	117,196	-	92,318	28,685	121,003	261,822
Impaired	1,179,167	880,430	2,059,597	2,938,252	1,467,292	649,036	2,116,328	3,422,962
	1,179,167	997,626	2,176,793	2,938,252	1,559,610	677,721	2,237,331	3,684,784
Bank								
Past due but not impaired	-	84,912	84,912	-	92,318	-	92,318	261,822
Impaired	1,179,167	846,780	2,025,947	2,938,252	1,467,292	626,627	2,093,919	3,422,962
	1,179,167	931,692	2,110,859	2,938,252	1,559,610	626,627	2,186,237	3,684,784

Collateral by type

	2021				2020			
	Guarantee by CGC RM'000	Properties and equipment RM'000	Vessels RM'000	Total RM'000	Guarantee by CGC RM'000	Properties and equipment RM'000	Vessels RM'000	Total RM'000
Group								
Past due but not impaired	-	-	-	-	-	261,822	-	261,822
Impaired	5,166	2,435,308	497,778	2,938,252	35,066	2,730,030	657,866	3,422,962
	5,166	2,435,308	497,778	2,938,252	35,066	2,991,852	657,866	3,684,784
Bank								
Past due but not impaired	-	-	-	-	-	261,822	-	261,822
Impaired	5,166	2,435,308	497,778	2,938,252	35,066	2,730,030	657,866	3,422,962
	5,166	2,435,308	497,778	2,938,252	35,066	2,991,852	657,866	3,684,784

(vii) Restructured loans/financing

Restructured loans/financing refer to the financial assets that would otherwise be past due or impaired where there are fundamental revision in the principal terms and conditions of the facilities. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The total restructured loans/financing held by the Group and the Bank stood at RM8,972.5 million (2020: RM9,935.2 million).

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(a) Credit risk (cont'd.)

(viii) Credit quality for treasury credit risk exposures

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

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

(b) Market risk

(i) Interest/profit rate risk

Interest/profit rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest/profit rates.

Interest/profit rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest/profit rate risk management process which is conducted in accordance with the Group's policies as approved by the BOD.

The table below shows the Group's and the Bank's net interest/finance income sensitivity based on possible parallel shift in interest/profit rate.

	Impact on interest/ profit 2021 RM'000	Impact on interest/ profit 2020 RM'000	Impact on equity 2021 RM'000	Impact on equity 2020 RM'000
Group				
Interest/profit rate				
– parallel shift				
+ 50 basis points	11,021	8,390	(144,916)	(205,827)
– 50 basis points	(11,021)	(8,390)	145,507	205,827
Bank				
Interest/profit rate				
– parallel shift				
+ 50 basis points	11,021	8,390	(133,685)	(205,827)
– 50 basis points	(11,021)	(8,390)	133,685	205,827

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

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

The table below summarises the Group's and the Bank's exposure to interest/profit rate risk. The table indicates effective average interest/profit rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group	Non-trading book						Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000		
2021								
Assets								
Cash and short term deposits	950,458	-	-	-	-	16,220	966,678	1.79
Deposits and placements with financial institutions	6,029	1,014,771	1,103,767	-	-	-	2,124,567	-
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863	-
Financial investments at FVOCI	50,945	10,050	131,774	2,792,205	2,954,674	10,280	5,949,928	4.33
Financial investments at amortised cost	-	-	-	-	-	-	-	-
Loans, financing and advances								
- non-impaired	319,927	124,054	758,671	5,591,700	10,706,883	1,699	17,502,934	5.96
- impaired *	-	-	-	-	-	(1,428,325)	(1,428,325)	-
Insurance receivables	-	-	-	-	-	196,759	196,759	-
Reinsurance assets	-	-	-	-	-	642	642	-
Other assets	-	-	-	-	-	333,601	333,601	-
Total assets	1,327,359	1,148,875	1,994,212	8,383,905	13,661,557	(854,261)	25,661,647	

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

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

	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-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %	
2020									
Assets									
Cash and short term deposits	1,021,813	–	–	–	–	13,425	1,035,238	2.02	
Deposits and placements with financial institutions	–	185,772	–	–	–	–	185,772	–	
Financial investments at FVTPL	–	–	–	–	–	45,566	45,566	–	
Financial investments at FVOCI	57,466	–	24,982	1,599,134	4,340,284	109,672	6,131,538	4.43	
Loans, financing and advances									
– non-impaired	281,437	265,188	844,502	4,420,222	10,798,395	11,762	16,621,506	6.09	
– impaired *	–	–	–	–	–	(1,037,437)	(1,037,437)	–	
Other assets	–	–	–	–	–	249,811	249,811	–	
Total assets	1,360,716	450,960	869,484	6,019,356	15,138,679	(607,201)	23,231,994		
Equity and liabilities									
Deposits from customers	1,947,848	1,934,272	1,069,461	395,255	–	–	5,346,836	2.50	
Deposits and placements from financial institutions	601,092	200,000	–	–	–	–	801,092	1.87	
Other liabilities	–	–	–	–	–	101,306	101,306	–	
Redeemable notes/Sukuk	101,280	–	1,100,000	1,883,036	5,165,000	–	8,249,316	4.61	
Borrowings	8,466	–	–	150,000	350,000	–	508,466	4.87	
Infrastructure support fund	–	–	–	–	–	304,503	304,503	–	
Deferred income	–	–	–	–	–	201,800	201,800	–	
Lease liabilities	–	–	–	–	–	344	344	–	
Total liabilities	2,658,686	2,134,272	2,169,461	2,428,291	5,515,000	607,953	15,513,663		
Total interest/ profit sensitivity gap									
	(1,297,970)	(1,683,312)	(1,299,977)	3,591,065	9,623,679	(1,215,154)	7,718,331		

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

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

Bank	Non-trading book						Non-interest/profit sensitive RM'000	Total RM'000	Effective interest/profit rate %
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000				
2021									
Assets									
Cash and short term deposits	822,346	–	–	–	–	3,501	825,847	1.78	
Deposits and placements with financial institutions	–	258,154	–	–	–	–	258,154	–	
Financial investments at FVTPL	–	–	–	–	–	14,863	14,863	–	
Financial investments at FVOCI	50,945	10,050	55,528	2,347,568	2,741,205	10,280	5,215,576	4.27	
Loans, financing and advances									
– non-impaired	274,319	111,661	735,476	5,463,248	10,698,392	1,699	17,284,795	5.92	
– impaired *	–	–	–	–	–	(1,419,832)	(1,419,832)	–	
Other assets	–	–	–	–	–	289,403	289,403	–	
Total assets	1,147,610	379,865	791,004	7,810,816	13,439,597	(1,100,086)	22,468,806		
Equity and liabilities									
Deposits from customers	1,548,963	1,975,323	2,062,598	387,868	–	–	5,974,752	2.41	
Deposits and placements from financial institutions	1,031,496	–	–	–	–	–	1,031,496	1.88	
Other liabilities	–	–	–	–	–	87,101	87,101		
Redeemable notes/Sukuk	93,689	500,000	–	2,883,443	5,315,000	–	8,792,132	4.36	
Borrowings	–	2,540	–	–	150,000	–	152,540	4.88	
Infrastructure support fund	–	–	–	–	–	303,974	303,974	–	
Deferred income	–	–	–	–	–	190,262	190,262	–	
Lease liabilities	–	–	–	–	–	245	245	–	
Total liabilities	2,674,148	2,477,863	2,062,598	3,271,311	5,465,000	581,582	16,532,502		
Total interest/profit sensitivity gap	(1,526,538)	(2,097,998)	(1,271,594)	4,539,505	7,974,597	(1,681,668)	5,936,304		

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(b) Market risk (cont'd.)

(i) Interest/profit rate risk (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-interest/ profit sensitive RM'000	Total RM'000	Effective interest/ profit rate %	
2020									
Assets									
Cash and short term deposits	858,789	-	-	-	-	2,998	861,787	1.83	
Deposits and placements with financial institutions	-	51,137	-	-	-	-	51,137	-	
Financial investments at FVTPL	-	-	-	-	-	45,566	45,566	-	
Financial investments at FVOCI	57,466	-	24,982	1,599,134	4,340,284	109,672	6,131,538	4.43	
Loans, financing and advances									
- non-impaired	265,872	251,119	806,555	4,298,149	10,791,924	11,762	16,425,381	6.05	
- impaired *	-	-	-	-	-	(1,030,964)	(1,030,964)	-	
Other assets	-	-	-	-	-	240,927	240,927	-	
Total assets	1,182,127	302,256	831,537	5,897,283	15,132,208	(620,039)	22,725,372		
Equity and liabilities									
Deposits from customers	1,947,848	1,934,272	1,069,461	395,255	-	-	5,346,836	2.50	
Deposits and placements from financial institutions	601,092	200,000	-	-	-	-	801,092	1.87	
Other liabilities	-	-	-	-	-	49,627	49,627	-	
Redeemable notes/Sukuk	101,280	-	1,100,000	1,883,036	5,165,000	-	8,249,316	4.61	
Borrowings	8,466	-	-	150,000	350,000	-	508,466	4.87	
Infrastructure support fund	-	-	-	-	-	304,503	304,503	-	
Deferred income	-	-	-	-	-	201,800	201,800	-	
Lease liabilities	-	-	-	-	-	313	313	-	
Total liabilities	2,658,686	2,134,272	2,169,461	2,428,291	5,515,000	556,243	15,461,953		
Total interest/ profit sensitivity gap									
	(1,476,559)	(1,832,016)	(1,337,924)	3,468,992	9,617,208	(1,176,282)	7,263,419		

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

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31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk

Liquidity risk is the risk that the Group and the Bank will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments/financing payment over a range of maturities.

The Group and the Bank manage their liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments/payments to fund providers. The Group and the Bank may raise funds locally and globally either through government-to-government arrangements or direct negotiations. Other sources of funding through the capital market are being explored on an on-going basis to ensure a diversity of funding source.

(i) Contractual maturity of total assets and liabilities

The following table shows the maturity analysis of the Group's and the Bank's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Group and the Bank.

Group	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
2021							
Assets							
Cash and short term deposits	966,678	-	-	-	-	-	966,678
Deposits and placements with financial institutions	6,029	1,014,771	1,103,767	-	-	-	2,124,567
Financial investments at FVTPL	-	-	-	-	-	14,863	14,863
Financial investments at FVOCI	-	13,905	132,978	2,813,149	2,979,616	10,280	5,949,928
Loans, financing and advances							
- non-impaired	1,264,227	124,053	757,903	5,588,952	9,766,100	1,699	17,502,934
- impaired *	-	-	-	-	-	(1,428,325)	(1,428,325)
Insurance receivables	-	2,838	38,109	103,398	52,414	-	196,759
Reinsurance assets	-	-	-	-	-	642	642
Other assets	-	-	-	-	-	333,601	333,601
Total assets	2,236,934	1,155,567	2,032,757	8,505,499	12,798,130	(1,067,240)	25,661,647
Equity and liabilities							
Deposits from customers	1,612,801	1,967,846	2,042,933	351,172	-	-	5,974,752
Deposits and placements from financial institutions	1,031,496	-	-	-	-	-	1,031,496
Premium liabilities	-	-	-	-	-	261,598	261,598
Insurance payables	-	-	427	-	-	-	427
Other liabilities	55	156	649	286	-	137,628	138,774
Redeemable notes/Sukuk	-	507,153	505,721	2,908,053	5,376,926	-	9,297,853
Borrowings	-	2,540	-	-	150,000	-	152,540
Infrastructure support fund	-	-	-	-	-	303,974	303,974
Deferred income	-	-	-	-	-	190,262	190,262
Lease liabilities	115	213	372	167	-	-	867
Total liabilities	2,644,467	2,477,908	2,550,102	3,259,678	5,526,926	893,462	17,352,543
Net maturity mismatches	(407,533)	(1,322,341)	(517,345)	5,245,821	7,271,204	(1,960,702)	8,309,104

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

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52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk (cont'd.)

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

	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
2020							
Assets							
Cash and short term deposits	1,035,238	–	–	–	–	–	1,035,238
Deposits and placements with financial institutions	–	185,772	–	–	–	–	185,772
Financial investments at FVTPL	–	–	–	–	–	45,566	45,566
Financial investments at FVOCI	–	–	25,046	1,614,915	4,381,905	109,672	6,131,538
Loans, financing and advances							
– non-impaired	902,989	265,188	844,212	4,419,446	10,177,909	11,762	16,621,506
– impaired *	–	–	–	–	–	(1,037,437)	(1,037,437)
Other assets	–	–	–	–	–	249,811	249,811
Total assets	1,938,227	450,960	869,258	6,034,361	14,559,814	(620,626)	23,231,994
Equity and liabilities							
Deposits from customers	2,016,173	1,927,236	1,060,163	343,264	–	–	5,346,836
Deposits and placements from financial institutions	600,941	200,151	–	–	–	–	801,092
Other liabilities	–	–	–	–	–	101,306	101,306
Redeemable notes/Sukuk	–	–	1,113,457	1,907,459	5,228,400	–	8,249,316
Borrowings	–	–	–	152,610	355,856	–	508,466
Infrastructure support fund	–	–	–	–	–	304,503	304,503
Deferred income	–	–	–	–	–	201,800	201,800
Lease liabilities	2	4	20	318	–	–	344
Total liabilities	2,617,116	2,127,391	2,173,640	2,403,651	5,584,256	607,609	15,513,663
Net maturity mismatches	(678,889)	(1,676,431)	(1,304,382)	3,630,710	8,975,558	(1,228,235)	7,718,331

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

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31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk (cont'd.)

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

Bank	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
2021							
Assets							
Cash and short term deposits	825,847	–	–	–	–	–	825,847
Deposits and placements with financial institutions	–	258,154	–	–	–	–	258,154
Financial investments at FVTPL	–	–	–	–	–	14,863	14,863
Financial investments at FVOCI	–	10,173	55,735	2,371,398	2,767,989	10,281	5,215,576
Loans, financing and advances							
– non-impaired	1,218,619	111,661	734,709	5,460,501	9,757,606	1,699	17,284,795
– impaired *	–	–	–	–	–	(1,419,832)	(1,419,832)
Other assets	–	–	–	–	–	289,403	289,403
Total assets	2,044,466	379,988	790,444	7,831,899	12,525,595	(1,103,586)	22,468,806
Equity and liabilities							
Deposits from customers	1,612,801	1,967,846	2,042,933	351,172	–	–	5,974,752
Deposits and placements from financial institutions	1,031,496	–	–	–	–	–	1,031,496
Other liabilities	–	–	–	–	–	87,101	87,101
Redeemable notes/Sukuk	–	507,153	–	2,908,053	5,376,926	–	8,792,132
Borrowings	–	2,540	–	–	150,000	–	152,540
Infrastructure support fund	–	–	–	–	–	303,974	303,974
Deferred income	–	–	–	–	–	190,262	190,262
Lease liabilities	2	4	89	150	–	–	245
Total liabilities	2,644,299	2,477,543	2,043,022	3,259,375	5,526,926	581,337	16,532,502
Net maturity mismatches	(599,833)	(2,097,555)	(1,252,578)	4,572,524	6,998,669	(1,684,923)	5,936,304

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk (cont'd.)

(i) Contractual maturity of total assets and liabilities (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
2020							
Assets							
Cash and short term deposits	861,787	–	–	–	–	–	861,787
Deposits and placements with financial institutions	–	51,137	–	–	–	–	51,137
Financial investments at FVTPL	–	–	–	–	–	45,566	45,566
Financial investments at FVOCI	–	–	25,046	1,614,915	4,381,905	109,672	6,131,538
Loans, financing and advances							
– non-impaired	887,424	251,119	806,265	4,297,373	10,171,438	11,762	16,425,381
– impaired *	–	–	–	–	–	(1,030,964)	(1,030,964)
Other assets	–	–	–	–	–	240,927	240,927
Total assets	1,749,211	302,256	831,311	5,912,288	14,553,343	(623,037)	22,725,372
Equity and liabilities							
Deposits from customers	2,016,173	1,927,236	1,060,163	343,264	–	–	5,346,836
Deposits and placements from financial institutions	600,941	200,151	–	–	–	–	801,092
Other liabilities	–	–	–	–	–	49,627	49,627
Redeemable notes/Sukuk	–	–	1,113,457	1,907,459	5,228,400	–	8,249,316
Borrowings	–	–	–	152,610	355,856	–	508,466
Infrastructure support fund	–	–	–	–	–	304,503	304,503
Deferred income	–	–	–	–	–	201,800	201,800
Lease liabilities	2	4	19	288	–	–	313
Total liabilities	2,617,116	2,127,391	2,173,639	2,403,621	5,584,256	555,930	15,461,953
Net maturity mismatches	(867,905)	(1,825,135)	(1,342,328)	3,508,667	8,969,087	(1,178,967)	7,263,419

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk (cont'd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities as at 31 December 2021 and 31 December 2020. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage interest liquidity risk based on discounted expected cash flows.

Group	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
2021							
Liabilities							
Deposits from customers	1,614,295	1,975,323	2,062,598	359,745	–	–	6,011,961
Deposits and placements from financial institutions	1,032,182	–	–	–	–	–	1,032,182
Premium liabilities	–	–	–	–	–	261,598	261,598
Insurance payables	–	–	427	–	–	–	427
Other liabilities	55	156	649	286	–	137,628	138,774
Redeemable notes/Sukuk	–	521,400	523,934	3,379,863	7,704,001	–	12,129,198
Borrowings	–	3,679	3,620	29,216	164,527	–	201,042
Lease liabilities	130	241	428	272	–	–	1,071
Total liabilities	2,646,662	2,500,799	2,591,656	3,769,382	7,868,528	399,226	19,776,253
2020							
Liabilities							
Deposits from customers	2,017,610	1,934,272	1,069,461	351,656	–	–	5,372,999
Deposits and placements from financial institutions	601,247	200,876	–	–	–	–	802,123
Other liabilities	–	–	–	–	–	101,306	101,306
Redeemable notes/Sukuk	–	–	1,154,530	1,690,386	7,062,465	–	9,907,381
Borrowings	–	–	–	183,781	467,093	–	650,874
Lease liabilities	17	35	157	378	–	–	587
Total liabilities	2,618,874	2,135,183	2,224,148	2,226,201	7,529,558	101,306	16,835,270

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

52. FINANCIAL INSTRUMENTS RISK (CONT'D.)

(c) Liquidity risk (cont'd.)

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

Bank	Non-trading book						Total RM'000
	Up to 1 month RM'000	>1 – 3 months RM'000	>3 – 12 months RM'000	>1 – 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	
2021							
Liabilities							
Deposits from customers	1,614,295	1,975,323	2,062,598	359,745	–	–	6,011,961
Deposits and placements from financial institutions	1,032,182	–	–	–	–	–	1,032,182
Other liabilities	–	–	–	–	–	87,101	87,101
Redeemable notes/Sukuk	–	521,400	–	3,379,863	7,704,001	–	11,605,264
Borrowings	–	3,679	3,620	29,216	164,527	–	201,042
Lease liabilities	14	29	128	268	–	–	439
Total liabilities	2,646,491	2,500,431	2,066,346	3,769,092	7,868,528	87,101	18,937,989
2020							
Liabilities							
Deposits from customers	2,017,610	1,934,272	1,069,461	351,656	–	–	5,372,999
Deposits and placements from financial institutions	601,247	200,876	–	–	–	–	802,123
Other liabilities	–	–	–	–	–	49,627	49,627
Redeemable notes/Sukuk	–	–	1,154,530	1,690,386	7,062,465	–	9,907,381
Borrowings	–	–	–	183,781	467,093	–	650,874
Lease liabilities	16	32	146	344	–	–	538
Total liabilities	2,618,873	2,135,180	2,224,137	2,226,167	7,529,558	49,627	16,783,542

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

53. FAIR VALUES MEASUREMENTS

(a) Financial assets and liabilities measured at fair value

Determination of fair value and the fair value hierarchy

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank classify their financial assets and financial liabilities which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

- Level 1 – Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities instruments;
- Level 2 – Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and
- Level 3 – Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain government sukuk and corporate sukuk, financing, derivatives and investment properties.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

53. FAIR VALUES MEASUREMENTS (CONT'D.)

(a) Financial assets and liabilities measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

The following table provides the fair value measurement hierarchy of the Group's and the Bank's assets and liabilities.

	2021				2020			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group								
Assets measured at fair value:								
Financial investments at FVTPL	-	14,863	-	14,863	-	45,566	-	45,566
Financial investments at FVOCI	10,280	5,939,648	-	5,949,928	109,672	6,021,866	-	6,131,538
Total financial assets carried at fair value				5,964,791				6,177,104
Assets for which fair values are disclosed (Note 53 (b)):								
Loans, financing and advances	-	-	16,628,539	16,628,539	-	-	16,068,693	16,068,693
Liabilities for which fair values are disclosed (Note 53 (b)):								
Redeemable notes/Sukuk	-	-	9,507,093	9,507,093	-	-	8,658,191	8,658,191
Borrowings	-	-	222,591	222,591	-	-	524,214	524,214
Bank								
Assets measured at fair value:								
Financial investments at FVTPL	-	14,863	-	14,863	-	45,566	-	45,566
Financial investments at FVOCI	10,280	5,205,296	-	5,215,576	109,672	6,021,866	-	6,131,538
Total financial assets carried at fair value				5,230,439				6,177,104
Assets for which fair values are disclosed (Note 53 (b)):								
Loans, financing and advances	-	-	16,368,467	16,368,467	-	-	15,836,537	15,836,537
Liabilities for which fair values are disclosed (Note 53 (b)):								
Redeemable notes/Sukuk	-	-	8,999,153	8,999,153	-	-	8,658,191	8,658,191
Borrowings	-	-	222,591	222,591	-	-	524,214	524,214

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

53. FAIR VALUES MEASUREMENTS (CONT'D.)

(a) Financial assets and liabilities measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

There have been no transfer between Level 1 and Level 2 during the financial year. The fair value of loans, financing and advances that are valued at Level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.37% to 5.92% (2020: 2.37% to 6.05%) whilst the fair value of redeemable notes/sukuk and term loans that are valued at Level 3 is estimated by discounting the estimated future cash flows at a discount rate between 2.80% to 6.30% (2020: 2.81% to 6.30%).

(b) Financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts and the estimated fair values of those financial assets not presented on the Group's statements of financial position at their fair value.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

53. FAIR VALUES MEASUREMENTS (CONT'D.)

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

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Financial investments – Amortised Cost

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earning multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Loans, financing and advances

Loans, financing and advances to borrowers/customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amount that the Group and the Bank could realise in a sale transaction at the reporting date.

The fair values of variable rate loans/financing are estimated to approximate their carrying values. For fixed rate loans/financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers/customers with similar credit profiles. In respect of impaired loans/financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Deposits from customers, deposits and placements from financial institutions, and bills and acceptance payable

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(iv) Subordinated obligations and borrowings

The fair values of capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest/profit rates for securities as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS

The state of affairs as at 31 December 2021 and results for the financial year ended on this date under the Islamic financial business of the Group and the Bank included in the Group financial statements are summarised as follows:

Statements of Financial Position
As at 31 December 2021

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets					
Cash and short term deposits	(a)	788,780	820,525	706,342	740,292
Deposits and placements with financial institutions	(b)	238,130	–	238,130	–
Financial investments at FVTPL	(c)	14,863	45,566	14,863	45,566
Financial investments at FVOCI	(d)	4,344,354	2,515,982	4,344,354	2,515,982
Financing and advances	(e)	13,479,456	11,454,582	13,341,520	11,342,828
Other assets	(f)	1,157,854	1,863,432	1,157,676	1,863,156
Property, plant and equipment		83,807	84,180	83,807	84,180
Investment properties		322	330	322	330
Intangible asset		7,478	6,045	7,478	6,045
Right-of-use asset		236	301	236	301
Deferred tax asset		284,271	110,571	284,114	110,461
Total assets		20,399,551	16,901,514	20,178,842	16,709,141
Liabilities					
Deposits from customers	(g)	5,974,752	5,346,836	5,974,752	5,346,836
Deposits from financial institutions	(h)	731,346	80,092	731,346	80,092
Other liabilities	(i)	165,054	132,481	56,745	48,451
Sukuk	(j)	8,080,341	7,082,700	8,080,341	7,082,700
Infrastructure support fund		303,974	303,974	303,974	303,974
Deferred income		190,262	201,800	190,262	201,800
Lease liabilities		245	313	245	313
Deferred tax liabilities		246	171	–	–
Total liabilities		15,446,220	13,148,367	15,337,665	13,064,166
Equity					
Capital funds		3,078,724	2,722,657	3,078,724	2,722,657
Reserves	(k)	1,874,607	1,030,490	1,762,453	922,318
Total equity		4,953,331	3,753,147	4,841,177	3,644,975
Total liabilities and equity		20,399,551	16,901,514	20,178,842	16,709,141
Commitments and contingencies	(t)	6,970,213	6,493,715	6,970,213	6,493,715

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Statements of Profit or Loss

For the Financial Year Ended 31 December 2021

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Loss for the year	(163,638)	(139,109)	(167,620)	(133,901)
Other comprehensive (loss)/income				
Items that will not be reclassified to profit or loss:				
Net change in revaluation of equity instruments at fair value through other comprehensive income	15,973	(25,235)	15,973	(25,235)
Items that may be reclassified to profit or loss:				
Debt instruments at fair value through other comprehensive income:				
- Net change in fair value during the year	(251,336)	74,584	(251,336)	74,584
- Changes in allowance for expected credit losses	51,615	9,432	51,615	9,432
	(183,748)	58,781	(183,748)	58,781
Income tax effect (Note 54(k)(ii))	60,321	(17,900)	60,321	(17,900)
	60,321	(17,900)	60,321	(17,900)
Other comprehensive (loss)/income for the year, net of tax	(123,427)	40,881	(123,427)	40,881
Total comprehensive loss for the year	(287,065)	(98,228)	(291,047)	(93,020)
Total comprehensive loss attributable to:				
Shareholders of the Bank	(287,065)	(98,228)	(291,047)	(93,020)
	(287,065)	(98,228)	(291,047)	(93,020)
Net income from Islamic financial business:				
Income derived from investment of depositors' funds	219,951	203,557	219,951	203,557
Income derived from investment of shareholders' funds	801,258	782,760	788,011	775,521
Income attributable to the depositors	(144,172)	(145,962)	(144,172)	(145,962)
Finance cost	(328,486)	(284,260)	(328,486)	(284,260)
Net income from Islamic financial business reported in the statements of profit or loss	548,551	556,095	535,304	548,856

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

	Capital funds RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
Group					
At 1 January 2021	2,722,657	443,483	195,475	391,532	3,753,147
Loss for the year	-	-	-	(163,638)	(163,638)
Other comprehensive loss for the year	-	-	(123,427)	-	(123,427)
Total comprehensive loss for the year	-	-	(123,427)	(163,638)	(287,065)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	9,083	(9,083)	-
Capital re-allocation	356,067	-	-	1,206,182	1,562,249
Dividend paid	-	-	-	(75,000)	(75,000)
At 31 December 2021	3,078,724	443,483	81,131	1,349,993	4,953,331
At 1 January 2020	1,717,418	443,483	154,415	608,034	2,923,350
Loss for the year	-	-	-	(139,109)	(139,109)
Other comprehensive income for the year	-	-	40,881	-	40,881
Total comprehensive income/(loss) for the year	-	-	40,881	(139,109)	(98,228)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	179	(179)	-
Transfer to statutory reserve	-	-	-	-	-
Capital re-allocation	1,005,239	-	-	75,000	1,080,239
Dividend paid	-	-	-	(152,214)	(152,214)
At 31 December 2020	2,722,657	443,483	195,475	391,532	3,753,147

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Statement of Changes in Equity

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

	Capital funds RM'000	Statutory reserve RM'000	Unrealised FVOCI reserve RM'000	Retained profits RM'000	Total RM'000
Bank					
At 1 January 2021	2,722,657	443,483	195,475	283,360	3,644,975
Loss for the year	-	-	-	(167,620)	(167,620)
Other comprehensive loss for the year	-	-	(123,427)	-	(123,427)
Total comprehensive loss for the year	-	-	(123,427)	(167,620)	(291,047)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	9,083	(9,083)	-
Capital re-allocation	356,067	-	-	1,206,182	1,562,249
Dividend paid	-	-	-	(75,000)	(75,000)
At 31 December 2021	3,078,724	443,483	81,131	1,237,839	4,841,177
At 1 January 2020	1,717,418	443,483	154,415	569,654	2,884,970
Loss for the year	-	-	-	(133,901)	(133,901)
Other comprehensive income for the year	-	-	40,881	-	40,881
Total comprehensive income/(loss) for the year	-	-	40,881	(133,901)	(93,020)
Transfer to retained profits on the disposal of equity instruments at FVOCI	-	-	179	(179)	-
Capital re-allocation	1,005,239	-	-	-	1,005,239
Dividend paid	-	-	-	(152,214)	(152,214)
At 31 December 2020	2,722,657	443,483	195,475	283,360	3,644,975

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Statements of Cash Flows

For the Financial Year Ended 31 December 2021

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities				
Loss before taxation and zakat	(195,641)	(168,274)	(201,083)	(163,189)
Adjustments for:				
Net gain on sale of financial investments at FVOCI (Note 54(m))	(35,194)	(8,242)	(35,194)	(8,242)
Depreciation of property, plant and equipment (Note 54(q)(ii))	4,537	–	4,537	–
Depreciation of investment properties (Note 54(q)(ii))	8	–	8	–
Amortisation of intangible assets (Note 54(q)(ii))	2,530	–	2,530	–
Depreciation of right-of-use assets (Note 54(q)(ii))	152	–	152	–
Accretion of discount less amortisation of premium of financial investments (Note 54(m))	9,044	(2,986)	9,044	(2,986)
Allowance for impairment losses on financing and advances, net (Note 54(n))	599,182	668,581	593,713	660,355
Loss due to financing modification (Note 54(l) and Note 54(m))	4,359	62	4,359	62
Impairment allowance for:				
Financial investments at FVOCI (Note 54(o))	51,615	9,432	51,615	9,432
Impaired financing written off (Note 54(n))	2,419	2,459	2,309	50
Fixed asset written off (Note 54(q)(iv))	84	–	84	–
(Write back)/allowance made for ex-staff financing (Note 54(o))	(93)	94	(93)	94
Unrealised loss/(gain) on FVTPL (Note 54(m))	30,703	(4,999)	30,703	(4,999)
Compensation from the Government (Note 54(m))	(105,555)	(33,069)	(105,555)	(33,069)
Operating cash flows before working capital changes	368,150	463,058	357,129	457,508
Increase in operating assets:				
Deposits and placements with financial institutions	(238,130)	150,681	(238,130)	150,681
Financing and advances	(2,630,835)	(879,451)	(2,599,073)	(788,591)
Other assets	88,213	(2,564,623)	89,616	(2,563,280)
	(2,780,752)	(3,293,393)	(2,747,587)	(3,201,190)
Increase in operating liabilities:				
Deposits from customers	627,916	494,650	627,916	494,650
Deposits and placements from financial institutions	651,254	(421,427)	651,254	(421,427)
Other liabilities	34,771	837,003	10,422	777,496
	1,313,941	910,226	1,289,592	850,719
Cash used in operating activities	(1,098,661)	(1,920,109)	(1,100,866)	(1,892,963)
Finance cost on lease liabilities (Note 54(r))	(17)	(12)	(17)	(12)
Zakat paid	(9,568)	(30,386)	(9,568)	(30,386)
Net cash used in operating activities	(1,108,246)	(1,950,507)	(1,110,451)	(1,923,361)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

Statements of Cash Flows

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 15)	(4,784)	–	(4,784)	–
Purchase of intangible assets (Note 17)	(3,427)	–	(3,427)	–
Purchase of financial investments at FVOCI	(1,117,293)	(986,675)	(1,117,293)	(986,675)
Proceeds from disposal of financial investments at FVOCI	1,290,986	445,506	1,290,986	445,506
Proceeds from maturity of financial investments at FVOCI	82,393	–	82,393	–
Conversion from Conventional to Islamic	(1,700,000)	–	(1,700,000)	–
Net cash used in investing activities	(1,452,125)	(541,169)	(1,452,125)	(541,169)
Cash flows from financing activities				
Net payment of Sukuk	(700,000)	–	(700,000)	–
Proceeds from government compensation	41,532	–	41,532	–
Proceeds from Sukuk issuance	1,700,000	1,000,000	1,700,000	1,000,000
Capital re-allocation	1,562,249	1,080,239	1,562,249	1,005,239
Payment of principal portion of lease	(155)	–	(155)	–
Dividends paid	(75,000)	(152,214)	(75,000)	(152,214)
Net cash generated from financing activities	2,528,626	1,928,025	2,528,626	1,853,025
Net decrease in cash and cash equivalents	(31,745)	(563,651)	(33,950)	(611,505)
Cash and cash equivalents at beginning of the year	820,525	1,384,176	740,292	1,351,797
Cash and cash equivalents at end of the year	788,780	820,525	706,342	740,292
Cash and cash equivalents comprise:				
Cash and short term deposits (Note (a))	788,780	820,525	706,342	740,292

(a) Cash and Short Term Deposits

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

(b) Deposits and placements with financial institutions

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(c) Financial Investments at FVTPL

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

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

(d) Financial Investments at FVOCI

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

Group and Bank	Lifetime ECL			Total RM'000
	12-Month ECL Stage 1 RM'000	Not Credit Impaired Stage 2 RM'000	Credit Impaired Stage 3 RM'000	
2021				
At 1 January	524	65,108	–	65,632
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(504)	504	–	–
Net allowance made	207	51,408	–	51,615
New financial investments purchased	85	–	–	85
Net allowance made	122	51,408	–	51,530
At 31 December	227	117,020	–	117,247
2020				
At 1 January	896	55,304	–	56,200
Net (write back)/allowance made	(372)	9,804	–	9,432
New financial investments purchased	2	–	–	2
Net (write back)/allowance made	(374)	9,804	–	9,430
At 31 December	524	65,108	–	65,632

(e) Financing and Advances

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

NOTES TO THE FINANCIAL STATEMENTS

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

Bank	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Istisna' RM'000	Ijarah Muntahiyah bi Tamlik RM'000	Tawarruq RM'000	Total RM'000
2021						
At amortised cost						
Term facility						
Sale-based financing	7,387	-	1,320,648	-	13,860,378	15,188,413
Lease-based financing	-	-	-	1,226	-	1,226
Working capital facility						
Sale-based financing	-	-	-	-	393,400	393,400
Revolving facility						
Sale-based financing	-	-	-	-	130,341	130,341
Staff financing	3,393	-	-	-	-	3,393
Gross financing and advances	10,780	-	1,320,648	1,226	14,384,119	15,716,773
Allowance for impairment on financing and advances:						
Stage 1: 12-Month ECL	-	-	-	-	-	(1,279,667)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	(592,354)
Stage 3: Lifetime ECL credit Impaired	-	-	-	-	-	(503,232)
Net financing and advances	-	-	-	-	-	13,341,520
2020						
At amortised cost						
Term facility						
Sale-based financing	43,558	8,315	1,511,340	-	11,244,891	12,808,104
Lease-based financing	-	-	-	1,221	-	1,221
Working capital facility						
Sale-based financing	-	-	-	-	269,323	269,323
Revolving facility						
Sale-based financing	-	-	-	-	130,339	130,339
Staff financing	4,066	-	-	-	-	4,066
Gross financing and advances	47,624	8,315	1,511,340	1,221	11,644,553	13,213,053
Allowance for impairment on financing and advances:						
Stage 1: 12-Month ECL	-	-	-	-	-	(831,445)
Stage 2: Lifetime ECL not credit impaired	-	-	-	-	-	(596,186)
Stage 3: Lifetime ECL credit Impaired	-	-	-	-	-	(442,594)
Net financing and advances	-	-	-	-	-	11,342,828

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

(vii) Movements in gross financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2021				
At 1 January	11,118,596	1,459,805	759,560	13,337,961
– Transfer to 12-month ECL (Stage 1)	20,126	(1,117)	(19,009)	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(275,034)	299,066	(24,032)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(90,644)	(124,429)	215,073	–
Remeasurement, net	1,922,064	287,025	(13,824)	2,195,265
New accounts	900,671	1,726	–	902,397
Matured accounts	(469,727)	(793)	(776)	(471,296)
Written-off	–	–	(90,995)	(90,995)
At 31 December	13,126,052	1,921,283	825,997	15,873,332
2020				
At 1 January	11,033,674	725,821	712,167	12,471,662
– Transfer to 12-month ECL (Stage 1)	425,766	(425,766)	–	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,099,502)	1,099,502	–	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(7,824)	–	7,824	–
Remeasurement, net	167,473	70,287	41,708	279,468
New accounts	603,078	–	–	603,078
Matured accounts	(4,069)	(10,039)	(20)	(14,128)
Written-off	–	–	(2,119)	(2,119)
At 31 December	11,118,596	1,459,805	759,560	13,337,961

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

(vii) Movements in gross financing and advances are as follows (cont'd.):

Bank	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2021				
At 1 January	11,010,635	1,453,454	748,964	13,213,053
– Transfer to 12-month ECL (Stage 1)	18,664	–	(18,664)	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(273,988)	298,020	(24,032)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(82,684)	(124,429)	207,113	–
Remeasurement, net	1,907,319	293,110	(13,841)	2,186,588
New accounts	741,852	–	–	741,852
Matured accounts	(333,725)	–	–	(333,725)
Written-off	–	–	(90,995)	(90,995)
At 31 December	12,988,073	1,920,155	808,545	15,716,773
2020				
At 1 January	10,999,451	725,821	707,090	12,432,362
– Transfer to 12-month ECL (Stage 1)	425,766	(425,766)	–	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(1,093,233)	1,093,233	–	–
Remeasurement, net	189,513	70,205	41,874	301,592
New accounts	489,138	–	–	489,138
Matured accounts	–	(10,039)	–	(10,039)
At 31 December	11,010,635	1,453,454	748,964	13,213,053

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

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

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

(ix) Movements in the allowance for impairment of financing and advances are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2021				
At 1 January	833,229	596,943	453,207	1,883,379
– Transfer to 12-Month ECL (Stage 1)	12,987	(158)	(12,829)	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	47,767	(14,945)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	–
Allowance made, net	481,496	41,742	75,944	599,182
Amount written off	–	–	(88,685)	(88,685)
At 31 December	1,280,819	592,372	520,685	2,393,876
2020				
At 1 January	595,108	197,686	424,123	1,216,917
– Transfer to 12-Month ECL (Stage 1)	63,881	(63,881)	–	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(131,281)	131,281	–	–
Allowance made, net	305,521	331,857	31,203	668,581
Amount written off	–	–	(2,119)	(2,119)
At 31 December	833,229	596,943	453,207	1,883,379

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

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

(ix) Movements in the allowance for impairment of financing and advances are as follows (cont'd.):

Bank	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
2021				
At 1 January	831,445	596,186	442,594	1,870,225
– Transfer to 12-Month ECL (Stage 1)	12,829	–	(12,829)	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(32,822)	47,767	(14,945)	–
– Transfer to Lifetime ECL credit impaired (Stage 3)	(14,071)	(93,922)	107,993	–
Allowance\writeback) made, net	482,286	42,323	69,104	593,713
Amount written off	–	–	(88,685)	(88,685)
At 31 December	1,279,667	592,354	503,232	2,375,253
2020				
At 1 January	593,149	197,686	419,035	1,209,870
– Transfer to 12-Month ECL (Stage 1)	63,881	(63,881)	–	–
– Transfer to Lifetime ECL not credit impaired (Stage 2)	(130,517)	130,517	–	–
Allowance made, net	304,932	331,864	23,559	660,355
At 31 December	831,445	596,186	442,594	1,870,225

(f) Other Assets

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

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(g) Deposits from Customers

	Group and Bank	
	2021 RM'000	2020 RM'000
At amortised cost		
Fixed deposits and negotiable instruments of deposits	5,974,752	5,346,836
(a) The deposits are sourced from the following types of deposit:		
Tawarruq	5,974,752	5,346,836
(b) The deposits are sourced from the following types of customers:		
Business enterprises	2,880,530	1,462,647
Government and statutory bodies	3,094,222	3,884,189
	5,974,752	5,346,836
(c) The deposits maturity structure are as follows:		
Less than six months	5,039,201	4,872,156
Six months to one year	584,378	131,416
One year to three years	280,362	161,300
Three years to five years	70,811	181,964
	5,974,752	5,346,836

(h) Deposits and Placements from Financial Institutions

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

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31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(i) Other Liabilities

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

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

(j) Sukuk

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

- (i) These sukuk carry profit rates ranging between 4.28% to 4.98% per annum and for tenures of 5 years to 19 years. These sukuk will mature in March 2022, 2027, 2032 and November 2026, 2031 and 2035 respectively.
- (ii) These sukuk carry profit rates ranging between 2.80% to 4.05% per annum and for tenures of 5 years to 10 years. These sukuk will mature in June 2026, 2028, 2031 and October 2025, 2027 and 2030 respectively.
- (iii) This sukuk carries a profit rate of 3.95% with a tenure of 7 years. This sukuk will mature in October 2028.
- (iv) These sukuk carry profit rates ranging between 4.19% to 4.85% per annum and for tenures of 7 to 20 years. These sukuk will mature in September 2021, 2024, 2029 and 2034.

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(j) Sukuk (cont'd.)

The movements in the sukuk are as follows:

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

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31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(j) Sukuk (cont'd.)

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

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

(k) Reserves

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

- (i) The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 25% of its profit after tax, as the statutory reserves is more than 50% but less than 100% of its paid up capital.

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(k) Reserves (cont'd.)

- (ii) Unrealised FVOCI reserve represents the cumulative fair value changes and allowance for expected credit loss, net of tax, of FVOCI financial assets until they are disposed of or impaired.

Movements of the FVOCI reserve are as follows:

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

(l) Income Derived from Investment of Depositors' Funds

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

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

NOTES TO THE FINANCIAL STATEMENTS

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54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(m) Income Derived from Investment of Shareholders' Funds

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance Income				
Financing and advances	481,861	465,252	472,084	460,142
(Loss)/gain on financing modification #	(2,976)	13	(2,976)	13
Compensation from the Government	105,555	33,069	105,555	33,069
Deposits and placements with financial institution	24,399	14,605	22,888	14,275
Financial investments at FVOCI	162,009	86,068	162,009	86,068
	770,848	599,007	759,560	593,567
Accretion of discount less amortisation of premium	(9,044)	2,986	(9,044)	2,986
	761,804	601,993	750,516	596,553
Other income:				
Net (loss)/gain arising on financial investment at FVTPL:				
– unrealised revaluation (loss)/gain	(30,703)	4,999	(30,703)	4,999
Net gain arising on financial investment at FVOCI :				
– net gain on disposal	35,194	8,242	35,194	8,242
Stage 1 allowance made during the year against ISF	30,741	58,562	30,741	58,562
Stage 2 allowance made during the year against ISF	–	79,158	–	79,158
Refund of government compensation	(30,741)	–	(30,741)	–
Rental income				
– Subsidiaries	–	–	363	95
– Others	797	155	797	155
Fee income	34,911	28,034	32,589	26,140
Ta'widh	(841)	1,612	(841)	1,612
Others	96	5	96	5
	801,258	782,760	788,011	775,521
Of which:				
Finance income earned on impaired financing and advances	14,744	15,632	14,535	15,545

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(n) Allowances for Impairment Losses of Financing and Advances

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

(o) Allowance for Impairment Losses on Other Assets

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

(p) Income Attributable to the Depositors

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(q) Overhead Expenses

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Personnel costs	(i)	70,688	36,887	68,340	35,412
Establishment related expenses	(ii)	14,711	4,950	14,479	4,740
Promotion and marketing expenses	(iii)	1,971	2,706	1,971	2,706
General administrative expenses	(iv)	29,938	15,020	30,107	14,799
		117,308	59,563	114,897	57,657
Overhead expenses charged to subsidiaries via SLA		–	–	(329)	(106)
		117,308	59,563	114,568	57,551
(i) Personnel costs					
Salaries, allowances and bonuses		56,803	25,201	54,920	24,034
Non-executive Directors' fees and remuneration		932	838	932	838
Social security cost		390	292	368	279
Pension costs – Defined contribution plan		7,817	5,699	7,493	5,494
Other staff related expenses		4,746	4,857	4,627	4,767
		70,688	36,887	68,340	35,412
(ii) Establishment related expenses					
Depreciation:					
Property, plant and equipment		4,537	–	4,537	–
Investment properties		8	–	8	–
Right-of-use assets		152	–	152	–
Amortisation of:					
Intangible asset		2,530	–	2,530	–
Repairs and maintenance of property, plant and equipment		1,775	1,315	1,768	1,313
Information technology expenses		5,709	3,635	5,484	3,427
		14,711	4,950	14,479	4,740
(iii) Promotion and marketing expenses					
Advertisement and publicity		1,971	2,706	1,971	2,706
(iv) General administrative expenses					
General administrative expenses		28,746	15,020	29,239	14,799
Auditors' remuneration:					
– Statutory audit					
– Current year		1,008	–	758	–
– Non-audit services					
– regulatory related services		100	–	26	–
Property, plant and equipment written off		84	–	84	–
		29,938	15,020	30,107	14,799

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(q) Overhead Expenses (cont'd.)

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

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

(r) Finance Cost

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

(s) Zakat

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

Zakat represents business zakat payable by the Bank to comply with the principles of Shariah and as endorsed by the Shariah Committee. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. The zakat on business for the financial year has been computed using the capital growth computation method at the rate of 2.5775% (2020: 2.5775%).

The zakat amount is paid to the states' zakat management agencies and eligible beneficiaries (asnaf) in Malaysia. The proposals of distribution of zakat fund by the Bank to eligible beneficiaries (asnaf) were approved by the Shariah Committee.

(t) Commitments and Contingencies

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

54. ISLAMIC FINANCIAL BUSINESS (CONT'D.)

(u) Capital Adequacy

Capital management

Regulatory capital

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

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

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

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

Without deducting proposed dividend:

	Bank	
	2021 %	2020 %
Core capital ratio	23.854	20.462
RWCR	36.240	31.654

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

55. GOVERNMENT FUNDS AND SCHEMES

As a development financial institution, the Bank perform its mandated roles to promote strategic sectors identified by the Government of Malaysia as follows:

(a) Tourism Infrastructure Fund

The objective of the tourism infrastructure fund is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

(b) Tourism Infrastructure Development Fund

The objective of the tourism infrastructure development fund is to provide financial assistance to existing and new companies dealing with or involved in tourism related activities and services.

(c) Maritime Fund

The objective of the maritime fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

(d) Maritime Development Fund

The objective of the maritime development fund is to provide financial assistance to existing and new companies dealing with or involved in maritime related activities and services.

(e) Public Transport Fund

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

(f) Industry Digitalisation Transformation Scheme

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

(g) Sustainable Development Financing Scheme

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

(h) Tourism Infrastructure Scheme

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

(i) Maritime and Logistics Scheme

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

(j) Public Transport Scheme

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

(k) National Development Scheme

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

For all the above funds, the Group and the Bank act as a financier that bear the credit risk and recognise its credit losses in the financial statements. All these funds are internally sourced by the Bank and not from Government.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

55. GOVERNMENT FUNDS AND SCHEMES (CONT'D.)

55.1 Performance of the funds

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

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

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
2021						
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	1,000,000	12,894,258
Net approved	(1,849,114)	(1,135,024)	(2,983,696)	(741,272)	(326,043)	(7,035,149)
Fund available	550,886	864,976	1,510,562	2,258,728	673,957	5,859,109
Loans, financing and advances:						
Disbursement	1,847,359	1,024,364	2,983,696	745,902	325,962	6,927,283
Payment/repayment	(1,042,595)	(165,886)	(2,188,118)	(148,996)	(307,814)	(3,853,409)
Outstanding	804,764	858,478	795,578	596,906	18,148	3,073,874
Number of beneficiaries	57	15	41	7	107	227
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

55. GOVERNMENT FUNDS AND SCHEMES (CONT'D.)

55.1 Performance of the fund (cont'd.)

Group	Tourism Infrastructure fund 2.0 RM'000	Maritime and Logistics fund* RM'000	Public Transport fund 2.0 RM'000	Industry Digitalisation Transformation fund* RM'000	Sustainable Development Financing fund* RM'000	Subtotal 1 RM'000
2020						
Allocated funds	1,000,000	1,500,000	500,000	2,000,000	2,000,000	7,000,000
Net approved	(424,272)	(279,856)	(29,754)	(606,348)	(376,000)	(1,716,230)
Fund available	575,728	1,220,144	470,246	1,393,652	1,624,000	5,283,770
Loans, financing and advances:						
Disbursement	19,296	119,260	974	225,704	134,468	499,702
Payment/repayment	-	(15,588)	-	-	-	(15,588)
Outstanding	19,296	103,672	974	225,704	134,468	484,114
Number of beneficiaries	2	3	1	2	3	11
Expiry	Dec 20	Dec 21	Dec 20	Dec 21	Dec 21	

* Fund was created on 1 January 2019 and the expiry dates for Maritime and Logistics, Industry Digitalisation Transformation and Sustainable Development Financing funds were extended to December 2021. The allocated funds for Industry Digitalisation Transformation fund was reduced to RM2.0 billion and allocated funds for Sustainable Development fund was increased to RM2.0 billion effective October 2020.

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
2020						
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	1,000,000	12,894,258
Net approved	(1,849,114)	(1,168,199)	(2,983,696)	(741,272)	(326,043)	(7,068,324)
Fund available	550,886	831,801	1,510,562	2,258,728	673,957	5,825,934
Loans, financing and advances:						
Disbursement	1,847,359	885,911	2,983,696	587,299	325,962	6,630,227
Payment/repayment	(997,426)	(189,794)	(1,718,127)	(64,257)	(306,590)	(3,276,194)
Outstanding	849,933	696,117	1,265,569	523,042	19,372	3,354,033
Number of beneficiaries	57	14	41	7	107	226
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	

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31 December 2021

55. GOVERNMENT FUNDS AND SCHEMES (CONT'D.)

55.1 Performance of the fund (cont'd.)

2021				2020			
Group	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000	
Allocated funds	7,000,000	12,894,258	19,894,258	7,000,000	12,894,258	19,894,258	
Net approved	(2,508,210)	(7,035,149)	(9,543,359)	(1,716,230)	(7,068,324)	(8,784,554)	
Fund available	4,491,790	5,859,109	10,350,899	5,283,770	5,825,934	11,109,704	
Loans, financing and advances:							
Disbursement	970,579	6,927,283	7,897,862	499,702	6,630,227	7,129,929	
Payment/repayment	(64,556)	(3,853,409)	(3,917,965)	(15,588)	(3,276,194)	(3,291,782)	
Outstanding	906,023	3,073,874	3,979,897	484,114	3,354,033	3,838,147	
Number of beneficiaries	23	227	250	11	226	237	
Bank	Tourism Infrastructure Scheme RM'000	Maritime and Logistics Scheme RM'000	Public Transport Scheme RM'000	Industry Digitalisation Transformation Scheme RM'000	Sustainable Development Financing Scheme RM'000	National Development Scheme RM'000	Subtotal 1 RM'000
2021							
Allocated funds	1,000,000	1,500,000	100,000	1,000,000	2,000,000	1,400,000	7,000,000
Net approved	(527,000)	(656,636)	(50,000)	(456,348)	(808,272)	–	(2,498,256)
Fund available	473,000	843,364	50,000	543,652	1,191,728	1,400,000	4,501,744
Loans, financing and advances:							
Disbursement	188,670	253,689	–	268,408	254,903	–	965,670
Payment/repayment	–	(64,556)	–	–	–	–	(64,556)
Outstanding	188,670	189,133	–	268,408	254,903	–	901,114
Number of beneficiaries	6	7	–	2	4	–	19
Expiry	Dec 23	Dec 23	Dec 23	Dec 23	Dec 23	Dec 23	

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

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55. GOVERNMENT FUNDS AND SCHEMES (CONT'D.)

55.1 Performance of the fund (cont'd.)

Bank	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
2021						
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	5,742	11,900,000
Net approved	(1,849,114)	(1,135,024)	(2,983,696)	(741,272)	–	(6,709,106)
Fund available	550,886	864,976	1,510,562	2,258,728	5,742	5,190,894
Loans, financing and advances:						
Disbursement	1,847,359	1,024,364	2,983,696	745,902	5,661	6,606,982
Payment/repayment	(1,042,595)	(165,886)	(2,188,118)	(148,996)	(5,661)	(3,551,256)
Outstanding	804,764	858,478	795,578	596,906	–	3,055,726
Number of beneficiaries	57	15	41	7	1	121
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	
Bank	Tourism Infrastructure fund 2.0 RM'000	Maritime and Logistics fund* RM'000	Public Transport fund 2.0 RM'000	Industry Digitalisation Transformation fund* RM'000	Sustainable Development Financing fund* RM'000	Subtotal 1 RM'000
2020						
Allocated funds	1,000,000	1,500,000	–	2,000,000	2,000,000	6,500,000
Net approved	(424,272)	(279,856)	–	(606,348)	(376,000)	(1,686,476)
Fund available	575,728	1,220,144	–	1,393,652	1,624,000	4,813,524
Loans, financing and advances:						
Disbursement	19,296	119,260	–	225,704	134,468	498,728
Payment/repayment	–	(15,588)	–	–	–	(15,588)
Outstanding	19,296	103,672	–	225,704	134,468	483,140
Number of beneficiaries	2	3	–	2	3	10
Expiry	Dec 20	Dec 21	Dec 20	Dec 21	Dec 21	

* Fund was created on 1 January 2019 and the expiry dates for Maritime and Logistics, Industry Digitalisation Transformation and Sustainable Development Financing funds were extended to December 2021. The allocated funds for Industry Digitalisation Transformation fund was reduced to RM2.0 billion and allocated funds for Sustainable Development fund was increased to RM2.0 billion effective October 2020.

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55. GOVERNMENT FUNDS AND SCHEMES (CONT'D.)

55.1 Performance of the fund (cont'd.)

Bank	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
2020						
Allocated funds	2,400,000	2,000,000	4,494,258	3,000,000	5,742	11,900,000
Net approved	(1,849,114)	(1,168,199)	(2,983,696)	(741,272)	(5,742)	(6,748,023)
Fund available	550,886	831,801	1,510,562	2,258,728	-	5,151,977
Loans, financing and advances:						
Disbursement	1,847,359	885,911	2,983,696	587,299	5,661	6,309,926
Payment/repayment	(997,426)	(189,794)	(1,718,127)	(64,257)	(5,661)	(2,975,265)
Outstanding	849,933	696,117	1,265,569	523,042	-	3,334,661
Number of beneficiaries	57	14	41	7	1	120
Expiry	Dec 18	Dec 18	Dec 18	Dec 18	Dec 18	
	2021			2020		
Bank	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000	Subtotal 1 RM'000	Subtotal 2 RM'000	Total RM'000
Allocated funds	7,900,000	11,900,000	19,800,000	6,500,000	11,900,000	18,400,000
Net approved	(2,498,256)	(6,709,106)	(9,207,362)	(1,686,476)	(6,748,023)	(8,434,499)
Fund available	5,401,744	5,190,894	10,592,638	4,813,524	5,151,977	9,965,501
Loans, financing and advances:						
Disbursement	965,670	6,606,982	7,572,652	498,728	6,309,926	6,808,654
Payment/repayment	(64,556)	(3,551,256)	(3,615,812)	(15,588)	(2,975,265)	(2,990,853)
Outstanding	901,114	3,055,726	3,956,840	483,140	3,334,661	3,817,801
Number of beneficiaries	19	121	140	10	120	130

56. SIGNIFICANT EVENTS

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

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

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

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

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56. SIGNIFICANT EVENTS (CONT'D.)

2. Exposure to COVID-19 Impacted Sectors

The table below presents the loans, financing and advances (net of impairment) by industry sectors identified as directly vulnerable affected by COVID-19 pandemic for the Group and the Bank:

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

3. COVID-19 Customer Relief and Support Measures

Loans, advances and financing

	2021 RM'000	2020 RM'000
Group		
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	6,128,379	6,400,704
Matured and repaying as per revised schedules	855,640	3,993,365
Extended and repaying as per revised schedules	5,272,739	2,407,339
<i>As a percentage of total:</i>		
Matured and repaying as per revised schedules	13.96%	62.39%
Extended and repaying as per revised schedules	86.04%	37.61%
Bank		
Total payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	6,107,625	6,361,924
Matured and repaying as per revised schedules	834,886	3,985,838
Extended and repaying as per revised schedules	5,272,739	2,376,086
<i>As a percentage of total:</i>		
Matured and repaying as per revised schedules	13.67%	62.65%
Extended and repaying as per revised schedules	86.33%	37.35%

57. SUBSEQUENT EVENTS

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

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

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