MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

Contents

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Bank Group and of the Bank for the financial year ended 31 December 2020.

Principal activities

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

Immediate and ultimate holding company/body

The immediate holding company is Malaysia Building Society Berhad ("MBSB"), a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding body is Employees Provident Fund ("EPF"), a statutory body established under the Employees Provident Fund Act 1991 (Act 452).

Subsidiary

The details of the Bank's subsidiary are disclosed in Note 13 to the financial statements.

Results

	Bank Group RM'000	Bank RM'000
Profit for the year	279,189	196,798

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

Dividends

Since the end of the previous financial year, the amount of dividends paid by the Bank was as follows:

	RM'000
In respect to the financial year ended 31 December 2019:	
- single-tier final dividend of 2.59 sen per ordinary share on 5,159,859,288 shares declared on 6 May 2020 and paid on 5 June 2020.	133,657

On 26 January 2021, the Directors approved a proposed single-tier final dividend of 1.35 sen per ordinary share in respect of the financial year ended 31 December 2020. Based on the number of shares in issue of 5,159,859,288 as at 31 December 2020, the dividend payable would be RM69,753,885.

Dividends (cont'd.)

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

Directors

The Directors of the Bank and the Bank's subsidiary in office since the beginning of the current financial year to the date of this report are:

The Bank
Tan Sri Azlan bin Mohd Zainol (Appointed on 1 March 2021)
Datuk Azrulnizam bin Abdul Aziz
Datuk Johar bin Che Mat
Encik Aw Hong Boo
Puan Lynette Yeow Su-Yin
Tunku Alina binti Raja Muhd Alias
Dr. Loh Leong Hua
Encik Kamarulzaman bin Ahmad
Encik Arul Sothy Mylvaganam (Appointed on 5 May 2020)
Tan Sri Abdul Halim bin Ali (Resigned on 6 February 2021)
Encik Sazaliza bin Zainuddin (Resigned on 6 February 2021)

The subsidiary of the Bank
Cik Yam Kwai Ying Sharon
Encik Edmund Lee Kwing Mun
Kew Thean Yew (Appointed on 31 January 2020)
Encik Asrul Hazli Salleh (Appointed on 19 January 2021)
Thiru Selvi a/p Supramaniam (Resigned on 31 January 2020)
Encik Tang Yow Sai (Resigned on 19 January 2021)

Directors' benefits

Neither at the end of the financial year nor at any time during that year, did there subsist any arrangement to which the Bank or its subsidiary was a party whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any of its related corporations during the financial year.

Since the end of the previous financial year, no Director, other than disclosed in Note 41(c) to the Financial Statements has received nor become entitled to receive a benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in Note 35 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.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other related body corporates, other than the Employee Share Options Scheme under MBSB.

Indemnity and Takaful cost

The Directors and Officers of the Bank Group and of the Bank are covered by Directors' and Officers' Liability Takaful of the holding company, MBSB. The total takaful coverage amounts to RM50,000,000 and the annual takaful cost that is payable amounts to RM122,970 which is borne by the immediate holding company.

Directors' interests in shares

According to the register of Directors' shareholdings, the interest of a Director in office at the end of the financial year in shares of the Bank and its related corporations during the financial year are as follows:

	Number of ordinary shares			
Name of Director	**1.1.2020**	**Acquired**	**Sold**	**31.12.2020**
Direct interest:				
Ordinary shares of MBSB				
Tan Sri Abdul Halim bin Ali	266,013	14,250	-	280,263

None of the other Directors in office at the end of the financial year had any interest in shares and options over shares in the Bank or its related corporations during the financial year.

Issue of shares and debentures

There were no new shares or debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Bank during the financial year.

Statement of Corporate Governance

The Board of Directors ("the Board") of the Bank is pleased to report the application by the Bank of the principles contained in the Malaysian Code on Corporate Governance ("the Code") and the extent of compliance with the best practices of the Code. Although the Bank is not a listed company, the Board has endeavoured to apply the principles and comply with the relevant best practices of corporate governance as set out in the Code. The Bank is also required to comply with Bank Negara Malaysia ("BNM")'s policy document on Corporate Governance ("BNM/RH/PD 029-9") issued on 3 August 2016.

Business review for 2020

The Bank Group registered a profit before taxation and zakat of RM379 million for 2020 as compared to profit before taxation and zakat of RM753 million in prior year. Gross financing and advances for the Bank Group as at 31 December 2020 stood at RM34,242 million (2019: RM33,990 million) whilst total deposits stood at RM33,883 million (2019: RM35,894 million).

For the year 2020, the Bank Group's performance was affected by the COVID-19 outbreak in the country and impact of moratorium granted to eligible customers. The Bank Group recognised RM505 million loss on modification of cash flows arising from moratorium.

Outlook for 2021

The Bank Group will continue to focus its businesses in selected sustainable sectors and drive greater growth and adoption of emerging technologies. Various new measures and extended moratorium following the prolonged COVID-19 pandemic is expected to impact profitability for the year. Constant monitoring of customer collections and risks are imperative to ensure sustained profits.

Other statutory information

(a) Before the financial statements of the Bank Group and of the Bank were made out, the Directors took reasonable steps:

  (i) to ascertain that proper actions had been taken in relation to the writing off of bad financing and advances, and the making of allowance for impaired financing and advances and had satisfied themselves that all known bad financing and advances had been written off and that adequate allowance had been made for impaired financing and advances; and

  (ii) to ensure that any current assets, other than financing and advances, which were unlikely to be realised at their values as shown in the accounting records of the Bank Group and of the Bank 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:

  (i) that would render the amount written off for bad financing and advances or the amount of the allowance for impaired financing and advances in the financial statements of the Bank Group and of the Bank inadequate to any substantial extent; or

  (ii) that would render the values attributed to the current assets in the financial statements of the Bank Group and of the Bank misleading; or

  (iii) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Bank Group and of the Bank misleading or inappropriate; or

  (iv) not otherwise dealt with in this report or the financial statements of the Bank Group and of the Bank which would render any amount stated in the financial statements misleading.

Other statutory information (cont'd.)

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

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

(d) 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 Bank Group and of the Bank to meet their obligations as and when they fall due; and

(ii) the results of the operations of the Bank Group and of the Bank for the financial year ended 31 December 2020 except for the loss on modification of cash flows as dislosed in Note 31, have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant event during the financial year

Significant event during the financial year are disclosed in Note 47 to the financial statements.

Auditors

The auditors, KPMG PLT, will not be seeking reappointment to continue in office. The auditors' remuneration is disclosed in Note 34 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated

2 8 APR 2021

Tan Sri Azlan bin Mohd Zainol
Chairman

Aw Hong Boo
Director

Kuala Lumpur, Malaysia

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 15 to 156 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank Group and of the Bank as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated

2 8 APR 2021

Tan Sri Azlan bin Mohd Zainol
Chairman

Aw Hong Boo
Director

Kuala Lumpur, Malaysia

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

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

I, Ramanathan Rajoo, the officer primarily responsible for the financial management of MBSB Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 15 to 156 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Ramanathan Rajoo at
Petaling Jaya in the State of
Selangor on 28 APR 2021

Ramanathan Rajoo
MIA No. CA7012

Before me,

PESURUHJAYA SUMPAH
B 532
AMMAR BIN
MOHAMAD DAHALAN
01 JANUARI 2021
HINGGA
31 DISEMBER 2023
MALAYSIA

No. 43, Kompleks Emporium
Makan Sek 52, Jalan Sultan
46200 Petaling Jaya, Selangor

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

Shariah Advisory Committee's Report

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

All the praises and thanks be to Allah, blessing and peace be upon the Allah's Prophet, and be upon his kin, companions and followers.

Shariah Governance, Duties, Responsibilities and Accountabilities

The Shariah Advisory Committee ("SAC") performs an oversight role on Shariah matters related to business operations and activities of the relevant Islamic businesses within MBSB Bank.

SAC is required to report to the Board of Directors ("BOARD") as it performs its duties in overseeing the overall Shariah matters of the Bank. Where the SAC has a reason to believe that any Shariah issues or matter may affect the safety and soundness of the Bank, the SAC must immediately update the BOARD on such matter.

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

a) Providing a decision or advice to the Bank on the application of any ruling of the Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;

b) providing a decision or advice on matters which require reference to be made to the SAC of BNM;

c) providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event; and

d) endorsing a rectification measure to address a Shariah non-compliance event.

Opinion on the State of the Bank's Compliance with Shariah

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and contracts relating to the transactions and applications introduced by MBSB Bank Berhad ("the Bank") during the year ended 31st December 2020. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the SAC of BNM, as well as the Shariah decision made by us.

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

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

Opinion on the State of the Bank's Compliance with Shariah (cont'd)

We have assessed the work carried out by the Shariah compliance review, Shariah risk and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidences to give reasonable assurance that the Bank did not violate the Shariah principles.

In our opinion:

- The contracts, transactions and dealings entered into by the Bank during the year ended 31st December 2020 that we have reviewed are in compliance with the Shariah principles;

- all earnings that are not recognised by Shariah as an income have been disposed for disposal to charitable causes; and

- the calculation and disbursement of *zakat* are in compliance with Shariah principles.

Uses of Charity Funds

Bank Group	**2020 RM'000**	**2019 RM'000**
Uses of Charity Funds Contribution to charitable organisation	11	-
Total uses of charity funds during the financial year	11	-

Meetings and Joint Board Meetings

During the financial year ended 31st December 2020, a total of 14 meetings were held. The SAC comprises the following members and the number of attendances of each member at the meetings held during the financial year is as follows:

No.	Members	Meetings Attended
1.	Tn. Hj. Mohd. Bahroddin Badri	14/14
2.	Tn. Hj. Mohd. Nasiruddin Mohd. Kamaruddin	14/14
3.	Datuk Dr. Luqman Hj. Abdullah (Appointed on 20th January 2020)	12/14
4.	Dr. Ahmad Faizol Ismail (Appointed on 2nd April 2020)	11/11
5.	Tn. Hj. Nasrun Mohamad (Appointed on 8th September 2020)	6/6
6.	Dr. Akhtarzaite Abdul Aziz (Resigned on 6th February 2020)	1/1
7.	Prof. Dato' Dr. Noor Inayah Ya'akub (Resigned on 6th February 2020)	1/1
8.	Prof. Dr. Abdul Rahim Abdul Rahman (Resigned on 6th February 2020)	1/1

We, members of the SAC of MBSB Bank to the best of our knowledge based on material evidences presented to us, do hereby confirm that the operations of the Bank for the year ended 31st December 2020 have been conducted in conformity with the Shariah principles.

We pray to Allah the Almighty to grant us success and the right path of straight-forwardness.

Chairman of Shariah Advisory Committee

Hj. Mohd. Bahroddin Badri

Member of Shariah Advisory Committee

Datuk Dr. Luqman Hj. Abdullah

2 8 APR 2021

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Website www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MBSB BANK BERHAD

(200501033981 / 716122-P)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MBSB Bank Berhad, which comprise the statements of financial position as at 31 December 2020 of the Bank Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Bank 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 15 to 156.

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

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Bank 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 Ethics Standards Board for Accountants' *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, but does not include the financial statements of the Bank Group and of the Bank and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Bank Group and of the Bank, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Bank 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, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements of the Bank 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 internal control of the Bank Group and of the Bank.

- 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 ability of the Bank Group or of the Bank 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 Bank 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 Bank 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 Bank Group and of the Bank, including the disclosures, and whether the financial statements of the Bank Group and of the Bank represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank Group to express an opinion on the financial statements of the Bank 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.

KPMG

Other Matter

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.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Ow Peng Li
Approval Number: 02666/09/2021 J
Chartered Accountant

Petaling Jaya

Date: 28 APR 2021

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		Bank Group		Bank	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Assets					
Cash and short-term funds	6(a)	731,160	1,829,715	726,996	1,827,458
Deposits and placements with banks and other financial institutions	6(b)	781,682	873,515	-	-
Derivative financial assets	7	1,724	4,239	1,724	4,239
Financial investments at fair value through other comprehensive income ("FVOCI")	8	10,192,272	10,694,644	10,192,272	10,694,644
Financial investments at amortised cost	9	488,102	494,705	488,102	494,705
Financing and advances	10	32,863,504	32,807,317	32,863,504	32,807,317
Sukuk Commodity Murabahah	11(a)	-	-	2,317,054	2,618,491
Other receivables	12	508,125	548,207	557,861	586,724
Investment in subsidiary	13	-	-	-	-
Statutory deposits with Bank Negara Malaysia	15	620,000	1,090,000	620,000	1,090,000
Investment property	16	820	820	820	820
Property and equipment	17	27,882	25,444	27,882	25,444
Intangible assets	18	111,449	115,559	111,449	115,559
Right-of-use assets	19(a)	14,880	16,821	14,880	16,821
Tax recoverable		85,620	65,978	84,966	66,156
Total assets		46,427,220	48,566,964	48,007,510	50,348,378
Liabilities					
Deposits from customers	20	24,353,435	25,271,951	24,353,435	25,271,951
Deposits and placements of banks and other financial institutions	21	9,529,305	10,621,769	9,529,305	10,621,769
Derivative financial liabilities	7	1,614	1	1,614	1
Other payables	22	741,166	571,744	2,897,220	2,846,531
Lease liabilities	19(b)	15,193	17,130	15,193	17,130
Recourse obligation on financing sold	23	2,262,531	2,481,251	2,262,531	2,481,251
Sukuk-MBSB Structured Covered ("SC") Murabahah	11(b)	1,366,563	1,664,973	1,366,563	1,664,973
Sukuk Wakalah	24	1,293,335	1,293,075	1,293,335	1,293,075
Deferred tax liabilities	25	92,368	94,739	92,368	94,739
Provision for zakat		4,367	8,192	4,367	8,192
Total liabilities		39,659,877	42,024,825	41,815,931	44,299,612
Equity					
Share capital	26	5,159,859	5,159,859	5,159,859	5,159,859
Reserves	27	1,607,484	1,382,280	1,031,720	888,907
Total equity		6,767,343	6,542,139	6,191,579	6,048,766
Total liabilities and equity		46,427,220	48,566,964	48,007,510	50,348,378
Total Islamic banking assets*		46,427,220	48,566,964	48,007,510	50,348,378
Commitments and contingencies	37	2,724,749	5,069,104	2,724,749	5,069,104

* The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions dated 27 September 2019.

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		Bank Group		Bank	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Income derived from investment of depositors' funds	28	2,129,110	2,189,304	2,187,825	2,259,443
Income derived from investment of shareholders' funds	29	860,435	689,549	858,827	684,244
Net allowance for impairment on financing and advances and other financial assets	30	(353,215)	(156,043)	(353,215)	(156,043)
Loss on modification of cash flows	31	(504,676)	-	(504,676)	-
Total distributable income		2,131,654	2,722,810	2,188,761	2,787,644
Income attributable to depositors and others	32	(1,326,588)	(1,617,541)	(1,474,440)	(1,774,112)
Total net income		805,066	1,105,269	714,321	1,013,532
Personnel expenses	33	(286,720)	(241,652)	(286,720)	(241,652)
Other overhead expenses	34	(139,268)	(110,427)	(136,820)	(108,189)
Profit before taxation and zakat		379,078	753,190	290,781	663,691
Taxation	36	(100,252)	(203,172)	(94,346)	(195,479)
Zakat		363	828	363	828
Profit for the year		279,189	550,846	196,798	469,040
Other comprehensive income, net of tax:					
Movement in fair value reserve, which may be reclassified subsequently to profit or loss	27	79,672	144,382	79,672	144,382
Total comprehensive income for the year		358,861	695,228	276,470	613,422
Earnings per share (sen)	38	5.41	11.84		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	← Non-distributable		→	Distributable	
Bank Group	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2020	5,159,859	5,234	155,090	1,221,956	6,542,139
Profit for the year	-	-	-	279,189	279,189
Other comprehensive income for the year:					
- net changes in fair value	-	-	104,836	-	104,836
- income tax relating to component of other comprehensive income	-	-	(25,164)	-	(25,164)
	-	-	79,672	-	79,672
Dividends to owner of the Bank (Note 39)	-	-	-	(133,657)	(133,657)
At 31 December 2020	5,159,859	5,234	234,762	1,367,488	6,767,343
At 1 January 2019	4,625,859	5,234	10,708	671,110	5,312,911
Profit for the year	-	-	-	550,846	550,846
Other comprehensive income for the year:					
- net changes in fair value	-	-	189,971	-	189,971
- income tax relating to component of other comprehensive income	-	-	(45,589)	-	(45,589)
	-	-	144,382	-	144,382
Issuance of ordinary shares (Note 26)	534,000	-	-	-	534,000
At 31 December 2019	5,159,859	5,234	155,090	1,221,956	6,542,139

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

	← Non-distributable		→	Distributable	
Bank	**Share capital RM'000**	**Regulatory reserve RM'000**	**Fair value reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 January 2020	5,159,859	5,234	155,090	728,583	6,048,766
Profit for the year	-	-	-	196,798	196,798
Other comprehensive income for the year:					
- net changes in fair value	-	-	104,836	-	104,836
- income tax relating to component of other comprehensive income	-	-	(25,164)	-	(25,164)
	-	-	79,672	-	79,672
Dividends to owner of the Bank (Note 39)	-	-	-	(133,657)	(133,657)
At 31 December 2020	5,159,859	5,234	234,762	791,724	6,191,579
At 1 January 2019	4,625,859	5,234	10,708	259,543	4,901,344
Profit for the year	-	-	-	469,040	469,040
Other comprehensive income for the year:					
- net changes in fair value	-	-	189,971	-	189,971
- income tax relating to component of other comprehensive income	-	-	(45,589)	-	(45,589)
	-	-	144,382	-	144,382
Issuance of ordinary shares (Note 26)	534,000	-	-	-	534,000
At 31 December 2019	5,159,859	5,234	155,090	728,583	6,048,766

The accompanying notes form an integral part of the financial statements.

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Bank Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before taxation and zakat	379,078	753,190	290,781	663,691
Depreciation of property and equipment	7,705	6,276	7,705	6,276
Amortisation of intangible assets	31,545	22,213	31,545	22,213
Depreciation of right-of-use assets	13,237	13,208	13,237	13,208
Gain on disposal of property and equipment	(2)	-	(2)	-
Allowance for impairment	353,215	156,043	353,215	156,043
Financing (profit)/expenses adjustments:				
- financial investments	(411,694)	(347,897)	(411,694)	(347,897)
- Sukuk-MBSB SC Murabahah	79,360	93,096	79,360	93,096
- Sukuk Commodity Murabahah	-	-	(79,360)	(93,096)
- Sukuk Wakalah	67,656	2,216	67,656	2,216
- recourse obligation on financing sold	101,676	93,821	101,676	93,821
Net gain on sale of financial investments	(249,599)	(60,016)	(249,599)	(60,016)
Operating profit before working capital changes	372,177	732,150	204,520	549,555
Working capital changes:				
Decrease/(Increase) in deposits with financial institutions with maturity of more than one month	91,833	(96,776)	-	1,842
Increase/(Decrease) in statutory deposits with Bank Negara Malaysia	470,000	(37,000)	470,000	(37,000)
Decrease in other receivables	58,472	11,350	47,253	71
Decrease/(Increase) in derivative financial assets	2,515	(4,172)	2,515	(4,172)
Increase in financing and advances	(447,550)	(1,167,241)	(447,550)	(1,167,241)
	175,270	(1,293,839)	72,218	(1,206,500)
(Decrease)/Increase in deposits from customers and deposits and placements of banks and other financial instituitions	(2,010,980)	3,105,420	(2,010,980)	3,105,420
Increase/(decrease) in deposits	-	-		
and placements from other banks	-	-	-	-
Increase/(Decrease) in derivative financial liabilities	1,613	(1)	1,613	(1)
Decrease in lease liabilities	(8)	-	(8)	-
Increase/(decrease) in other payables	189,609	84,614	70,876	(223,824)
	(1,819,766)	3,190,033	(1,938,499)	2,881,595
Cash (used in)/generated from operations	(1,272,319)	2,628,344	(1,661,761)	2,224,650
Tax paid	(151,705)	(187,319)	(144,967)	(180,269)
Tax refunded	4,276	819	4,276	819
Zakat paid	(3,462)	(3,980)	(3,462)	(3,980)
Net cash (used in)/generated from operating activities	(1,423,210)	2,437,864	(1,805,914)	2,041,220

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 (cont'd.)

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(10,143)	(10,797)	(10,143)	(10,797)
Purchase of intangible assets	(27,435)	(33,080)	(27,435)	(33,080)
Proceeds from disposal of property and equipment	2	-	2	-
Profit income from financial investments	411,694	347,897	411,694	347,897
Net purchase of financial investments	862,981	(5,822,071)	862,981	(5,822,071)
Profit income from Sukuk Commodity Murabahah	-	-	79,360	93,096
Proceeds from maturity of Sukuk Commodity Murabahah	-	-	301,437	306,243
Net cash generated from/(used in) investing activities	1,237,099	(5,518,051)	1,617,896	(5,118,712)
Cash flows from financing activities				
(Repayment)/Issuance of recourse obligation on financing sold	(217,464)	345,231	(217,464)	345,231
Profit expense paid on recourse obligation on financing sold	(102,932)	(93,319)	(102,932)	(93,319)
Profit expense paid on Sukuk-MBSB SC Murabahah	(80,798)	(94,339)	(80,798)	(94,339)
Profit expense paid on Sukuk Wakalah	(67,396)	-	(67,396)	-
Repayment of Sukuk-MBSB SC Murabahah	(296,972)	(301,859)	(296,972)	(301,859)
Payment of lease liabilities	(13,225)	(12,899)	(13,225)	(12,899)
Issuance of Sukuk Wakalah	-	1,290,859	-	1,290,859
Dividends paid on ordinary shares	(133,657)		(133,657)	-
Issuance of ordinary shares	-	534,000	-	534,000
Net cash (used in)/generated from financing activities	(912,444)	1,667,674	(912,444)	1,667,674
Net decrease in cash and cash equivalents	(1,098,555)	(1,412,513)	(1,100,462)	(1,409,818)
Cash and cash equivalents at 1 January	1,829,715	3,242,228	1,827,458	3,237,276
Cash and cash equivalents at 31 December	731,160	1,829,715	726,996	1,827,458

An analysis of changes in liabilities arising from financing activities is as follows:

Bank Group and Bank	Recourse obligation on financing sold RM'000	Sukuk-MBSB SC Murabahah RM'000	Sukuk Wakalah RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2020	2,481,251	1,664,973	1,293,075	17,130	5,456,429
Profit expense during the year	101,676	79,360	67,656	-	248,692
Profit paid during the year	(102,932)	(80,798)	(67,396)	-	(251,126)
Additions	-	-	-	11,288	11,288
Repayment and redemption	(217,464)	(296,972)	-	(13,225)	(527,661)
At 31 December 2020	2,262,531	1,366,563	1,293,335	15,193	4,937,622
At 1 January 2019	2,135,518	1,968,075	-	24,019	4,127,612
Profit expense during the year	93,821	93,096	2,216	-	189,133
Profit paid during the year	(93,319)	(94,339)	-	-	(187,658)
Additions	-	-	-	6,010	6,010
Repayment and redemption	345,231	(301,859)	1,290,859	(12,899)	1,321,332
At 31 December 2019	2,481,251	1,664,973	1,293,075	17,130	5,456,429

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements
For the financial year ended 31 December 2020

Corporate information

The Bank is a licensed Islamic bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia. The address of the registered office and principal place of business of the Bank is as follows:

11th floor, Wisma MBSB
48 Jalan Dungun
Damansara Heights
50490 Kuala Lumpur

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The details of the Bank's subsidiary are disclosed in Note 13 to the financial statements.

The immediate holding company is Malaysia Building Society Berhad ("MBSB"), a public limited liability company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The ultimate holding body is Employees Provident Fund ("EPF"), a statutory body established under the Employees Provident Fund Act 1991 (Act 452).

The consolidated financial statements of the Bank as at and for the financial year ended 31 December 2020 comprise the Bank and its subsidiary (together referred to as the "Bank Group") and its interest in a joint venture.

These financial statements were approved by the Board of Directors on

1. Basis of preparation

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

The financial statements of the Bank Group and of the Bank have been prepared on a historical cost basis except other than as disclosed in Note 2.

The financial statements are presented in Ringgit Malaysia ("RM") which is the Bank's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

(a) Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(b) Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity over which the Bank has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power to affect those returns.

In the Bank's separate financial statements, investment in subsidiary is accounted for at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l) below. On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss. Dividend income received from subsidiary is recognised in profit or loss on the date that the Bank's right to receive payment is established.

(ii) Business combination

Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank Group obtains control, and continue to be consolidated until the date that such control ceases. The assessment of control is performed continuously to determine if control exists or continues to exist over an entity. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date. Acquisition costs are expensed as incurred and included in administrative expenses.

The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition. Discount on acquisition which represents gain on bargain purchase is recognised immediately in profit or loss.

In business combinations achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

(b) Basis of consolidation (cont'd.)

(ii) Business combination (cont'd.)

For each business combination, the Bank Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

Changes in the Bank Group’s equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions between the Bank Group and its non-controlling interest holders. Any difference between the Bank Group's share of net assets before and after the changes and any consideration received as paid, is adjusted to or against the Bank Group's reserves.

If the Bank Group loses control over a subsidiary, at the date the Bank Group losses control, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration or distribution received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(c) Joint ventures

Joint ventures are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Bank with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control and the Bank has rights over the net assets of the arrangements.

Investments in joint ventures are measured in the Bank's statement of financial position at cost less impairment losses, unless the investment is classified as held for distribution. The cost of investment includes transaction costs.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Bank Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

(e) Intangible assets

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

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss.

Intangible assets with indefinite useful lives, or which are not yet available for use, are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Software licences

The useful life of software licences is assessed to be finite and is amortised on a straight-line basis over 5 years.

(f) Property and equipment and depreciation

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

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

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

(f) Property and equipment and depreciation

Depreciation of property and equipment is provided for on a straight-line basis to write down the cost of each asset to its residual value over the estimated useful life from the date they are available for use. The estimated useful life is as follows:

Building renovation	5 years
Furniture and equipment	5 years
Motor vehicles	5 years
Data processing equipment	5 years

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

The residual values, useful lives and depreciation methods are reviewed at end of the reporting period, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

(g) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank Group and the Bank assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

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

(g) Leases (cont'd)

(i) Definition of a lease (cont'd)

At inception or on reassessment of a contract that contains a lease component, the Bank Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Bank Group or the Bank is a lessee, they have elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Bank Group and the Bank recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the respective Bank Group and the Bank entities' incremental borrowing rate. Generally, the Bank Group and the Bank entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Bank Group and the Bank are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Bank Group and Bank are reasonably certain not to terminate early.

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

(g) Leases (cont'd.)

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

(a) As a lessee (cont'd)

The Bank Group and the Bank exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Bank Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Bank Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Bank Group or the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To clarify each lease, the Bank Group and the Bank make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Bank Group and the Bank apply MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Bank Group and the Bank recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Bank Group and the Bank use the profit rate implicit in the lease to measure the net investment in the

When the Bank Group or the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank Group or the Bank applies the exemption described above, then it classifies the sublease as an operating lease.

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

(g) Leases (cont'd.)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Bank Group and the Bank's estimate of the amount expected to be payable under a residual value guarantee, of if the Bank Group and the Bank change their assessment of whether they will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Bank Group and the Bank recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

(h) Investment property

Investment property, comprising only freehold land is held for capital appreciation, and is not occupied by the Bank.

The investment property is initially recognised at cost and subsequently at cost less any accumulated impairment losses. The carrying amount of the investment property is reviewed at the end of each reporting period to determine whether there is any indication of impairment based on market value determined by independent qualified valuers. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

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

(i) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the EPF, a defined contribution pension scheme. Such contributions are recognised as an expense in profit or loss when incurred.

(j) Provisions

Provisions are recognised when the Bank Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) Provision for commitments and contingencies

The Bank Group and the Bank issue financial guarantees, letter of credit and financing commitments but the norminal values of these instruments are not recorded in the statement of financial position. The same assessment criteria are used by the Bank Group and the Bank in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet financing assets.

The measurement of credit loss for these irrecoverable off-balance sheet assets is based on a three-stage ECL model as described in Note 2 (o).

(l) Cash and cash equivalents

Cash and short-term funds in the statements of financial position consist of cash and balances with banks and other financial institutions, money at call and deposit placements with banks and other financial institutions which have an insignificant risk of changes in fair value with original maturities of three months or less.

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above.

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

(m) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its estimated recoverable amount.

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

(n) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Bank Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

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

(n) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their recognition unless the Bank Group or the Bank changes its business model for managing assets.

a) Business model assessment

The Bank Group and the Bank make an assessment of the objective of the business model ("BM") in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The Bank Group and the Bank consider all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited

i) the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

ii) how the performance of the portfolio (and the financial assets held within) is evaluated and reported to the management;

iii) the risks that affect the performance of the portfolio (and the financial assets held within) and, in particular, the way that those risks are managed;

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

v) the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank Group and the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

(n) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial assets (cont'd.)

a) Business model assessment (cont'd)

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

b) Assessment of whether contractual cash flows are solely payments of principal and profit ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank Group and the Bank consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank Group and the

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank Group and the Bank's claim to cash flows from specified assets (e.g. non-recourse financing); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

c) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

(n) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial assets (cont'd.)

c) Financial assets measured at amortised cost (cont'd)

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective profit method. The amortised cost is reduced by any impairment losses. Profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Profit income is recognised by applying effective profit rate to the gross carrying amount except for credit-impaired financial assets where the effective profit rate is applied to the amortised cost.

Included in financial assets measured at amortised cost are Sukuk Commodity Murabahah, financing and advances based on Shariah contracts of Tawarruq, Bai', Ijarah and Istisna'.

d) Financial assets measured at fair value through other comprehensive income ("FVOCI")

(i) Debt investments

This category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The debt investment is not designated as at FVTPL. Profit income calculated using the effective profit method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Bank Group and the Bank may irrevocably elect to present subsequent changes in the investment's FVOCI. This election is made on an investment by investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

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

(n) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial assets (cont'd.)

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

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Bank Group or the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any profit or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment (Note 2(n)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

a) Financial liabilities measured at amortised cost

Other financial liabilities not categorised as FVTPL are subsequently measured at amortised cost using the effective profit method.

Profit expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

b) Financial liabilities measured at fair value through profit or loss ("FVTPL")

FVTPL category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Bank Group or the Bank may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at FVTPL:

i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

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

(n) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial liabilities (cont'd.)

b) Financial liabilities measured at fair value through profit or loss ("FVTPL") (cont'd.)

ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank Group and the Bank's key management personnel; or

iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses, including any profit expense are recognised in the profit or loss.

For financial liabilities where it is designated as FVTPL upon initial recognition, the Bank Group and the Bank recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

The Bank Group and Bank's financial liabilities

The financial liabilities include Sukuk - MBSB SC Murabahah, Sukuk Wakalah, other payables, bank and other borrowings, recourse obligations on financing sold to Cagamas Berhad, deposits from customers and deposits and placements of banks and other financial institutions. The deposits are stated at placement value.

Sukuk - MBSB SC Murabahah and Sukuk Wakalah are classified as other financial liabilities as there are contractual obligation by the Bank Group or the Bank to make cash payments of either principal or profit or both to holders of the Sukuk and the Bank Group or the Bank is contractually obliged to settle the financial instrument in cash.

Subsequent to initial recognition, Sukuk issued is recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in profit or loss over the period of the Sukuk using the effective profit method.

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

(n) Financial instruments (cont'd.)

(ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial liabilities (cont'd.)

The Bank Group and Bank's financial liabilities (cont'd)

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

Bank and other borrowings and recourse obligations on financing sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

(a) the amount of the loss allowance; and

(b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are included within "expected credit losses for commitment and contingencies" under other payables.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

(n) Financial instruments (cont'd.)

(v) Modifications of financial assets and financial liabilities

Financial assets

Modification of financial assets involves any modification made to the original payment terms and conditions of the financing facility following an increase in the credit risk of the customer. This includes but is not limited to an extension of tenure and flexible payment schedule including payment vacation, profit only payments, or capitalisation of principal or profit or both.

Once the financing assets have been modified, its satisfactory performance is monitored for a period of six months before it can be reclassified as non-credit impaired.

However, the financial assets will not be considered as modified if moratorium on financing repayments is granted or the financing is rescheduled/restructured by Agensi Kaunseling & Pengurusan Kredit ("AKPK").

The Bank Group and the Bank evaluate whether the cash flows of the modified asset are substantially different if the terms of a financial asset are modified.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost or FVOCI are not substantially different, the modification does not result in derecognition of the financial asset. In this case, the Bank Group and the Bank recalculate the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income, calculated using the effective profit rate method.

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

(n) Financial instruments (cont'd.)

(v) Modifications of financial assets and financial liabilities (cont'd.)

Financial liabilities

The Bank Group and the Bank derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Bank Group and the Bank currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vii) Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Bank Group and the Bank have access at that date. The fair value of a liability includes the risk that the Bank Group and the Bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Bank Group and the Bank establishes fair value by using valuation techniques.

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

(o) Impairment of financial assets

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at FVOCI is recognised in profit or loss and accumulated in a separate component of equity.

Measurement

The Bank Group and the Bank recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and financial investments measured at FVOCI (debt securities), but not on investments in equity instruments. ECL are a probability-weighted estimate of credit losses.

The Bank Group and the Bank measure loss allowances at an amount equal to lifetime ECL except for debt securities that are determined to have low credit risk at the reporting date and other financial instruments of which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Bank Group and the Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank Group’s and the Bank's historical experience and informed credit assessment and including forward-looking information, where available.

The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD provides an estimate of the likelihood that a borrower will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year.

LGD is the magnitude of the likely loss if there is a default. The Bank Group and the Bank estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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

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

Measurement (cont'd.)

EAD represents the expected exposure in the event of a default. The Bank Group and the Bank derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank Group and the Bank measure ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which they are exposed to credit risk, even if, for credit risk management purposes, the Bank Group and the Bank consider a longer period. The maximum contractual period extends to the date at which the Bank Group and the Bank have the right to require repayment of an advance or terminate a financing commitment or guarantee.

However, for facilities that include both a financing and an undrawn commitment component, the Bank Group and the Bank measure ECL over a period longer than the maximum contractual period if the Bank Group and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank Group’s and the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure. The Bank Group and the Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank Group and the Bank become aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank Group and the Bank expect to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a financing with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include but not limited to:

- instrument type;
- credit risk gradings;
- collateral type;
- financing-to-value ("FTV") ratio for retail property financing;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

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

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

Measurement (cont'd.)

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank Group and the Bank have limited historical data, external benchmark information is used to supplement the internally available data.

Recognition

Lifetime ECL is the ECL that results from all possible default events over the expected life of the asset, while 12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating ECL is the maximum contractual period over which the Bank Group and the Bank are exposed to credit risk.

Financial assets are segregated into 3 stages depending on the changes in credit quality since initial recognition.

Stage 1 includes financial assets that do not have a significant increase in credit risk since initial recognition or those that have low credit risk at reporting date. For these assets, 12-month ECL are recognised and profit income is calculated on the gross carrying amount of the assets.

Stage 2 includes financial assets that have a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For those assets, lifetime ECL is recognised and profit income is still calculated on the gross carrying amount of the asset.

Stage 3 includes financial assets that have objective evidence of impairment at reporting date. For these assets, lifetime ECL is recognised and profit income is calculated on the net carrying amount.

Significant increase in credit risk ("SICR")

Obligatory triggers applied by the Bank Group and the Bank in determining whether there has been a significant increase in credit risk is where the principal or profit or both of the financing assets are overdue for more than 1 month, after grace period, but less than 3 months or hit any of the qualitative indicators but not limited to increase in internal credit spread of an existing facility, breach of covenants and decrease in securities prices.

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

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

Significant increase in credit risk ("SICR") (cont'd.)

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank Group and the Bank's credit risk management processes. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watchlist. Such qualitative factors are based on the management's expert judgement and relevant historical experiences.

The Bank Group and the Bank determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.
If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on a financial asset returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank Group and the Bank determine a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a financing have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Credit-impaired (Default)

At each reporting date, the Bank Group and the Bank assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Bank Group and the Bank consider a financial asset to be in default when:

(a) Payment conduct

- Where the principal or profit or both of the financing is past due for more than ninety (90) days or three (3) months;

- In the case of revolving facilities (e.g. revolving working capital or overdraft facilities), notwithstanding the first trigger above, where the outstanding amount has remained in excess of the approved limit for a period of more than ninety (90) days or three (3) months;

- Where payments are scheduled on intervals of three (3) months or longer, the account shall be classified as impaired as soon as a default occurs (i.e. when the customer is unable to meet the contractual payment terms), unless it does not exhibit any weakness that would render it classified as impaired according to the Bank Group and the Bank's credit risk grading framework.

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

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

Credit-impaired (Default) (cont'd)

(b) Restructured and rescheduled ("R&R") financing; or

(c) Customer/Issuer is declared bankrupt/wound up.

Credit-impaired (Default) (cont'd.)

In assessing whether a borrower is in default, the Bank Group and the Bank consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank Group or the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Bank Group and the Bank for regulatory capital purposes.

ECL against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows, including the realisation of any collateral held where appropriate. The ECL held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective profit rate, and the gross carrying amount of the instrument prior to any credit impairment.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

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

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

Restructured financial assets (cont'd)

ECL for restructured financial assets that are not considered to be credit-impaired will be recognised on 12-month basis. However, if there is a significant increase in credit risk, the ECL will be recognised on a lifetime basis.

Incorporation of forward-looking information

MFRS 9 specifically requires measurement of ECL using not only past and current information, but also including forecast information. Hence, the ECL calculations include forward-looking adjustment according to the expected future macroeconomic conditions. Forward-looking adjustment incorporated within the ECL model is a combination of statistical analysis and expert judgements based on the availability of detailed information. External information considered includes economic data and forecasts published by external rating agencies.

Key macroeconomic variables ("MEV") that are incorporated into the ECL calculations include, but not limited to House Price Index ("HPI") and Consumer Price Index ("CPI"). Forward-looking MEVs are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios of forecast based on the available forecasts.

Methodology and assumptions including forecasts of future economic conditions are reviewed regularly.

Write-down/write-off

Financial assets and related impairment allowances are normally written down/written off, either partially or in full, when there is no realistic prospect of recovery of the financial assets. This is generally the case when the Bank Group and the Bank determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-down/write-off. This assessment is carried out at the individual asset level. Where financial assets are secured, the write-down/write-off is normally done after receipt of any proceeds from the realisation of security.

Financial assets that are written down/written off could still be subject to enforcement activities in order to comply with the Bank Group and the Bank's procedures for recovery of amounts due.

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

(p) Equity instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(q) Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Bank Group and/or the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Profit income and profit expense

Profit income and profit expense are recognised in profit or loss for all profit-bearing assets and liabilities using the effective profit method.

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

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

Murabahah income is recognised on effective profit rate basis over the period of the contract based on the financing amounts disbursed. Ijarah income is recognised on effective profit rate basis over the lease term of the financing amount. Tawarruq income is essentially Murabahah contract based income and therefore recognised on the same basis as Murabahah income. Istisna' income is also recognised on effective profit rate basis over the contractual period based on financing amount

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

(q) Recognition of income (cont'd)

(ii) Fee income

Financing arrangement fees, commissions and insurance fees are recognised as income at the time the underlying transactions are completed and there are no other contingencies associated with the fees.

Commitment and processing fees are recognised as income based on the amortised cost method.

(iii) Dividend income

Dividend income is recognised when the Bank Group and/or the Bank's right to receive payment is established.

(iv) Other income

Other income is recognised upon invoices being issued and services rendered.

(r) Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

Current tax is recognised in 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 end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable 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 the transaction, affects 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 reverse in the foreseeable future.

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

(r) Income tax (cont'd)

(ii) Deferred tax (cont'd)

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

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside 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.

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

(s) Zakat

This represents business zakat that is paid on the Bank's portion. It is an obligatory amount payable by the Bank Group and the Bank to comply with the rules and principles of Shariah. The zakat is computed based on working capital method at a rate of 2.5%. The beneficiaries of zakat fund include schools, mosques, universities and non-government organisations.

The obligation and responsibility of specific payment of zakat on deposit fund lies with the muslim depositors of the Bank. As such, no accrual of zakat expenses is recognised in the financial statements of the Bank.

(t) Earnings per ordinary share

The Bank Group and the Bank present the basic earnings per share ("EPS") data for their ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank Group and the Bank by the weighted average number of ordinary shares outstanding during the year.

(u) Fair value measurement

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

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

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

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

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

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

(u) Fair value measurement (cont'd)

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the Bank Group and the Bank can access at the measurement date;

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

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

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

3. Changes in accounting policies

(a) MFRSs, interpretation and amendments effective and adopted for annual periods on or after 1 January 2020

On 1 January 2020, where applicable, the Bank Group and the Bank adopted the following MFRSs and Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2020:

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*

- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

- Amendments to MFRS 9, *Financial Instruments* , MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures –Interest Rate Benchmark Reform*

The adoption of the new and revised MFRSs and interpretation did not result in any significant impact on the financial statements of the Bank Group and of the Bank.

MFRSs, interpretations and amendments effective and adopted for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16*, Leases – Covid-19-Related Rent Concessions*

3. Changes in accounting policies (cont'd.)

(b) MFRSs, interpretations and amendments issued but not yet effective

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank Group and the Bank:

MFRSs, interpretations and amendments effective for annual periods beginning on o after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contract*s and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on o after 1 April 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

MFRSs, intepretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*

- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*

- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*

- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*

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

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

- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

3. Changes in accounting policies (cont'd.)

(b) MFRSs, interpretations and amendments issued but not yet effective (cont'd.)

MFRSs, intepretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*

- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

MFRSs, interpretations and amendments effective for annual periods beginning on o after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of assets between an investor and its Associate or Joint Venture*

The Bank Group and the Bank plan to apply abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 January 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 April 2021.
- from the annual period beginning on 1 January 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MRFS 141 which is not applicable to the Bank Group and the Bank.
- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 which is not applicable to the Bank Group and the Bank.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have material financial impact to the current period and prior period financial statements of the Bank Group and the Bank.

4. Measures to Assist Individuals, Small-Medium Enterprise ("SME") and Corporates Affected by Covid-19 announced by BNM

As indicated in BNM's letter dated 24 March 2020 and 24 July 2020, BNM had introduced a number of regulatory and supervisory measures in support of efforts by banking institutions to assist individuals, SMEs and corporations to manage the impact of the Covid-19 outbreak. The key measures affecting regulatory and accounting treatment and classifications are as follows.

Banking institutions will grant an automatic moratorium on all financing repayments for a period of 6 months, with effect from 1 April 2020 to all individuals and SMEs. This offer is applicable to performing financing, denominated in Malaysian Ringgit, that have not been in arrears for more than 90 days as at 1 April 2020. For credit card facilities, banking institutions will offer the option to convert the outstanding balances into term loan of not more than 3 years.

4. Measures to Assist Individuals, Small-Medium Enterprise ("SME") and Corporates Affected by Covid-19 announced by BNM (cont'd.)

Banking institutions will also facilitate requests by corporations to defer or restructure their financing repayments in a way that will enable viable corporations to preserve jobs and swiftly resume economic activities when conditions stabilise and improve.

In applying the definition of defaulted exposures under the above policies to loans/financing for which repayment assistance is extended:

- The determination of "days past due" should be based on the new repayment terms of a financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period.

- For financing to individuals or SMEs, a borrower/customer should not be considered to be in default based on "unlikeliness to repay" at the time the repayment assistance is granted, except where the financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions; and

- For financing to corporates, the assessment of "unlikeliness to repay" should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.

To further support financing activities, banking institutions are allowed to drawdown on the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to reduce the regulatory reserves held against expected losses to 0%.

The implementation of the Net Stable Funding Ratio ("NSFR") which will be effective on 1 July 2020 is lowered to 80%. Banking institutions are expected to restore their buffer to the minimum regulatory requirements and comply with a 100% NSFR ratio from 30 September 2021. BNM will review this timeline if current expectation changes materially.

The moratorium should not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment. The financial impact of the moratorium is disclosed in Note 31.

5. Significant accounting estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

5. Significant accounting estimates and judgements (cont'd.)

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Bank Group and the Bank's accounting policies that have the most significant effect on the amount recognised in the financial statements.

Assessment of derecognition of Islamic personal financing ("PFi") sold to Jana Kapital Sdn. Bhd. ("JKSB")

In determining if the sale meets the derecognition criteria, management has evaluated the extent to which the Bank retains the risks and rewards of ownership of the PFi. As the Principal Terms and Conditions require the replacement of defaulted PFi with performing PFi by the Bank, management had concluded that the risks and rewards of ownership of the PFi continue to be retained by the Bank. Accordingly, the sale of the PFi to JKSB does not meet the criteria for derecognition and has not been derecognised in the financial statements of the Bank. Instead, an amount equivalent to the carrying amount of the pledged PFi has been recognised in the financial statements of the Bank as an amount due to JKSB included in other payables, and, conversely, in JKSB's books, an equivalent amount has been recognised as an amount due from the Bank. Management is of the opinion that the described accounting treatment provides a more comprehensive and accurate representation of the arrangement between the Bank and JKSB.

In line with the Principal Terms and Condition of the Sukuk-MBSB SC Murabahah programme of the Bank (as detailed in Note 11(a) and Note 11(b)), Sukuk-MBSB SC Murabahah and Sukuk Commodity Murabahah will be issued in tranches from time to time, as decided by management and each tranche is required to be backed by a portfolio of identified PFi held by JKSB.

(b) Key source of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, is discussed below:

Expected credit losses/Allowance for impairment of financing and advances and other receivables

The Bank Group and the Bank's ECL calculations involve a number of underlying assumptions and estimates such as:
- criteria that determine if there has been a significant increase in credit risk; and
- development of ECL models which includes the choice of inputs relating to the macroeconomic variables.

The calculation of credit impairment provisions also involves expert credit judgements to be applied by the credit risk management team based upon counterparty information from various sources including relationship managers and external market information.

The Bank Group and the Bank's significant accounting policies on the impairment of financial assets are diclosed in Note 2(o) and the amount of impairment losses provided by the Bank Group and the Bank is disclosed in Notes 8, 9, 10, 12 and 22.

6. Cash and short-term funds and deposits and placements with banks and other financial institutions

		Bank Group		Bank	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
(a)	Cash and balances with banks and other financial institutions	125,131	135,579	120,967	133,322
	Money at call and deposit placements maturing within one month	606,029	1,694,136	606,029	1,694,136
		731,160	1,829,715	726,996	1,827,458
(b)	Deposits and placements with banks and other financial institutions with original maturity of more than one month				
	Licensed Islamic banks	781,682	873,515	-	-
		1,512,842	2,703,230	726,996	1,827,458

The ECL for cash and short-term funds and deposits and placements with banks and other financial institutions above is nil (2019: nil).

7. Derivative financial assets/(liabilities)

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held at FVTPL. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

	Bank Group and Bank					
	2020			2019		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives						
Foreign exchange contracts:						
Currency forward						
- Less than one year	278,310	1,724	(1,614)	228,295	4,239	(1)

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

	Bank Group and Bank	
	2020	2019
	RM'000	RM'000
At fair value		
Money Market Instruments		
Malaysian Government Investment Issues	6,906,159	7,530,627
Debt securities:		
In Malaysia		
Private and Islamic debt securities	1,089,533	1,109,787
Government Guaranteed debt securities	2,196,580	2,054,230
	10,192,272	10,694,644

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

ECL movement for financial investments at FVOCI:

The carrying amount of financial investments measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings, and credit to other comprehensive income.

	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2020	18	-	-	18
Total reversed to profit or loss:	(11)	-	-	(11)
Change in credit risk (Note 30)	(11)	-	-	(11)
At 31 December 2020	7	-	-	7
At 1 January 2019	-	-	-	-
Total charged to profit or loss:	18	-	-	18
Change in credit risk	18	-	-	18
At 31 December 2019	18	-	-	18

9. Financial investments at amortised cost

	Bank Group and Bank	
	2020 RM'000	2019 RM'000
At amortised cost		
Quoted securities:		
In Malaysia		
Private and Islamic debt securities	488,693	494,857
Less:		
- Stage 1	(90)	(152)
- Stage 2	(501)	-
	488,102	494,705

ECL movement for financial investments at amortised cost:

	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL at 1 January 2020	152	-	-	152
Charged to profit or loss (Note 30)	(62)	501	-	439
Changes in the ECL				
- Transfer to stage 2	(45)	45		-
Changes in credit risk	(17)	456		439
ECL at 31 December 2020	90	501	-	591
ECL at 1 January 2019	6	-	-	6
New financial assets purchased	146	-	-	146
ECL at 31 December 2019	152	-	-	152

10. Financing and advances

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
(i) By type		
At amortised cost		
Term financing		
- Personal financing	19,837,438	19,994,419
- Property financing	6,084,956	5,169,539
- Hire purchase receivables	761,732	808,958
- Bridging financing	483,948	593,906
- Auto financing	106,198	160,479
- Other term financing	5,642,010	5,949,892
Revolving credit	190,840	703,389
Staff financing	46,071	44,798
Cashline	81,539	3,663
Trade Finance	1,007,549	560,978
Gross financing and advances	34,242,281	33,990,021
Less: ECL		
- Stage 1	(365,538)	(401,290)
- Stage 2	(587,652)	(368,934)
- Stage 3	(425,587)	(412,480)
Net financing and advances	32,863,504	32,807,317

Included in personal financing and property financing are financing that have been assigned as security for credit facilities granted to the Bank Group and the Bank as shown below:

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Islamic financing facility granted by:		
Cagamas Berhad - Recourse obligation on financing sold (Note 23)	2,546,344	2,608,415
Sukuk-MBSB SC Murabahah* (Note 11(b))	2,156,258	2,274,992

* Islamic personal financing ("PFi") assigned as security for Sukuk-MBSB SC Murabahah relate to PFi sold to the Bank's subsidiary, JKSB. However, the sale of the PFi does not meet the derecognition criteria as the risks and rewards of ownership of the PFi are retained by the Bank as mentioned under Note 5(a).

(ii) By residual contractual maturity

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Maturity within one year	1,815,252	2,053,877
More than one year to three years	1,451,785	1,650,919
More than three years to five years	1,788,930	2,115,247
More than five years	29,186,314	28,169,978
	34,242,281	33,990,021

10. Financing and advances (cont'd.)

(iii) By economic purpose

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Personal use	19,927,233	20,090,204
Construction	3,739,748	4,396,763
Purchase of landed property:		
- Residential	5,712,089	4,803,998
- Non-residential	736,886	636,282
Working capital	2,785,944	2,392,671
Purchase of transport vehicles	107,428	161,243
Purchase of other fixed assets	957,989	949,334
Purchase of other securities	35,778	34,452
Purchase of consumer durables	901	5,738
Others	238,285	519,336
	34,242,281	33,990,021

(iv) By type of customers

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Domestic business enterprises		
- Small medium enterprise	2,107,333	1,799,360
- Government	51,161	141,302
- Non-bank financial institutions	740,803	710,454
- Others	5,315,587	6,049,729
Individuals	25,996,300	25,280,979
Foreign entities	31,097	8,197
	34,242,281	33,990,021

(v) By sector

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Household sectors	25,996,300	25,280,979
Construction	3,479,761	4,370,789
Finance, insurance and business services	2,839,973	2,787,727
Wholesale & retail trade and restaurants & hotels	596,692	469,546
Manufacturing	489,653	282,468
Electricity, gas and water	169,087	262,076
Transport, storage and communication	225,719	204,687
Agriculture	94,944	130,286
Mining and quarrying	216,711	117,287
Education, health and others	133,441	84,176
	34,242,281	33,990,021

(vi) By profit rate sensitivity

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Fixed rate:		
Personal financing	16,721,791	17,477,323
Auto financing	108,607	163,085
Property financing	439,418	468,914
Bridging, structured and term financing	956,420	936,575
	18,226,236	19,045,897

10. Financing and advances (cont'd.)

(vi) By profit rate sensitivity (cont'd.)

	Bank Group and Bank 2020 RM'000	Bank Group and Bank 2019 RM'000
Variable rate:		
Personal financing	3,129,748	2,533,258
Property financing	5,674,680	4,726,655
Bridging, structured and term financing	7,211,617	7,684,211
	16,016,045	14,944,124
	34,242,281	33,990,021

(vii) By geographical distribution

	Bank Group and Bank 2020 RM'000	Bank Group and Bank 2019 RM'000
Malaysia	34,242,281	33,990,021

(viii) Financing by types and Shariah contracts

Bank Group and Bank
2020

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Total financing and advances RM'000
Term financing	29,275,341	2,077,415	1,563,526	-	32,916,282
Property financing	4,093,273	1,989,191	2,491	-	6,084,955
Bridging financing	483,947	-	-	-	483,947
Hire purchase receivables	-	-	761,732	-	761,732
Auto financing	-	-	106,198	-	106,198
Personal financing	19,837,278	161	-	-	19,837,439
Other term financing	4,860,843	88,063	693,105	-	5,642,011
Cashline	81,539	-	-	-	81,539
Staff financing	43,180	67	2,823	-	46,070
Revolving credit	190,840	-	-	-	190,840
Trade finance	1,007,550	-	-	-	1,007,550
	30,598,450	2,077,482	1,566,349	-	34,242,281

Bank Group and Bank
2019

Type	Tawarruq RM'000	Bai' RM'000	Ijarah RM'000	Istisna' RM'000	Total financing and advances RM'000
Term financing	28,760,637	2,151,027	1,678,799	86,730	32,677,193
Property financing	3,090,721	2,075,810	3,008	-	5,169,539
Bridging financing	593,906	-	-	-	593,906
Hire purchase receivables	-	-	808,958	-	808,958
Auto financing	-	-	160,479	-	160,479
Personal financing	19,994,210	209	-	-	19,994,419
Other term financing	5,081,800	75,008	706,354	86,730	5,949,892
Cashline	3,663	-	-	-	3,663
Staff financing	41,671	99	3,028	-	44,798
Revolving credit	703,389	-	-	-	703,389
Trade finance	560,978	-	-	-	560,978
	30,070,338	2,151,126	1,681,827	86,730	33,990,021

10. Financing and advances (cont'd.)

(ix) Movement of gross financing and advances

	Bank Group and Bank			
2020	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Gross carrying amount as at 1 January 2020	29,065,287	4,106,709	818,025	33,990,021
Transfer to stage 1	1,071,111	(1,028,981)	(42,130)	-
Transfer to stage 2	(1,486,173)	1,583,613	(97,440)	-
Transfer to stage 3	(205,368)	(199,343)	404,711	-
New financing/disbursement during the year	4,554,480	514,891	62,228	5,131,599
Repayment during the year	(4,313,511)	(452,737)	(57,997)	(4,824,245)
Other movements	489,287	60,461	95,486	645,234
Loss on modification of cash flows	(463,971)	(40,705)	-	(504,676)
Write-offs	-	-	(195,652)	(195,652)
Gross carrying amount as at 31 December 2020	28,711,142	4,543,908	987,231	34,242,281

	Bank Group and Bank			
2019	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Gross carrying amount as at 1 January 2019	28,314,877	3,937,504	792,293	33,044,674
Transfer to stage 1	908,357	(820,433)	(87,924)	-
Transfer to stage 2	(1,133,626)	1,310,635	(177,009)	-
Transfer to stage 3	(135,267)	(253,106)	388,373	-
New financing/disbursement during the year	5,007,227	460,943	66,694	5,534,864
Repayment during the year	(3,950,263)	(521,477)	(61,227)	(4,532,967)
Other movements	53,982	(7,357)	118,717	165,342
Write-offs	-	-	(221,892)	(221,892)
Gross carrying amount as at 31 December 2019	29,065,287	4,106,709	818,025	33,990,021

(x) Movement of ECL for financing and advances

	Bank Group and Bank			
2020	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
ECL as at 1 January 2020	401,290	368,934	412,480	1,182,704
Charged to profit or loss (Note 30)	(35,752)	218,718	208,397	391,363
Changes in the impairment allowance:				
- Transfer to stage 1	96,261	(70,682)	(25,579)	-
- Transfer to stage 2	(31,598)	93,768	(62,170)	-
- Transfer to stage 3	(4,289)	(21,943)	26,232	-
New financing/disbursement during the year	66,724	58,879	19,092	144,695
Repayment during the year	(173,546)	(128,500)	(59,607)	(361,653)
Changes in credit risk parameters #	10,696	287,196	310,429	608,321
Write-offs	-	-	(195,290)	(195,290)
ECL as at 31 December 2020	365,538	587,652	425,587	1,378,777

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

10. Financing and advances (cont'd.)

(x) Movement of ECL for financing and advances (cont'd.)

2019	Bank Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL as at 1 January 2019	346,537	455,639	435,881	1,238,057
Charged to profit or loss (Note 30)	54,753	(86,705)	198,493	166,541
Changes in the impairment allowance:				
- Transfer to stage 1	132,081	(90,961)	(41,120)	-
- Transfer to stage 2	(19,073)	112,919	(93,846)	-
- Transfer to stage 3	(1,812)	(60,925)	62,737	-
New financing/disbursement during the year	110,426	39,028	38,274	187,728
Repayment during the year	(169,008)	(170,704)	(51,848)	(391,560)
Changes in credit risk parameters	46,898	157,609	327,419	531,926
Changes to model assumptions and methodologies^	(44,759)	(73,671)	(43,123)	(161,553)
Write-offs	-	-	(221,894)	(221,894)
ECL as at 31 December 2019	401,290	368,934	412,480	1,182,704

^ The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables ("MEV") to account for potential impact from various external factors and incorporation of cure rates to the loss given default ("LGD") model.

(xi) Movement for impaired financing and advances

	Bank Group and Bank	
	2020 RM'000	2019 RM'000
Balance as at 1 January	818,025	792,293
Classified as impaired during the year	466,939	455,067
Reclassified as non-impaired	(139,570)	(264,933)
Amount recovered	(57,997)	(61,227)
Amount written off	(195,652)	(221,892)
Other movements	95,486	118,717
Balance as at 31 December	987,231	818,025
Gross impaired as a percentage of gross financing and advances	2.88%	2.41%

(xii) Impaired financing and advances by economic purpose

	Bank Group and Bank	
	2020 RM'000	2019 RM'000
Personal use	80,584	140,300
Construction	563,518	290,868
Purchase of landed property:		
- Residential	188,424	215,393
- Non-residential	39,377	33,401
Working capital	47,500	45,465
Purchase of transport vehicles	6,517	31,870
Purchase of other fixed assets	42,041	38,345
Purchase of other securities	2,890	-
Purchase of consumer durables	789	5,626
Others	15,591	16,757
	987,231	818,025

10. Financing and advances (cont'd.)

(xiii) Impaired financing and advances by sector

	Bank Group and Bank	
	2020 RM'000	**2019 RM'000**
Household sector	288,793	398,545
Construction	327,173	207,267
Finance, insurance and business services	146,704	14,725
Wholesale & retail trade and restaurants & hotels	25,151	22,572
Manufacturing	70,435	59,767
Transport, storage and communication	3,995	3,754
Agriculture	-	169
Mining and quarrying	39,313	38,691
Education, health and others	85,667	72,535
	987,231	818,025

(xiv) Impaired financing and advances by geographical distribution

	Bank Group and Bank	
	2020 RM'000	**2019 RM'000**
Malaysia	987,231	818,025

The credit risk of financial assets of the Bank Group and the Bank is mitigated by the collateral held against the financial assets and would reduce the extent of impairment allowance for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher for the Bank Group and the Bank by approximately RM131,243,767 (2019: RM112,425,165) without the mitigating effect of collateral held.

11. Sukuk Commodity Murabahah and Sukuk-MBSB Structured Covered ("SC") Murabahah

(a) Sukuk Commodity Murabahah

	Bank	
	2020 RM'000	**2019 RM'000**
Sukuk Commodity Murabahah	2,317,054	2,618,491
(i) By tranche		
Tranche 1	128,284	178,335
Tranche 2	403,975	484,197
Tranche 3	835,704	931,173
Tranche 4	949,091	1,024,786
	2,317,054	2,618,491

As part of the Bank's Sukuk-MBSB SC Murabahah programme ("the Programme"), Jana Kapital Sdn Bhd ("JKSB"), which is the Bank's subsidiary, issued an unconditional and irrevocable Covered Sukuk Guarantee to the holders of Sukuk-MBSB SC Murabahah. JKSB pledged an identified pool of PFi ("Tranche Cover Assets") sold by the Bank (refer Note 5(a)) as security for the Covered Sukuk Guarantee amounting to RM2,156,258,000 (2019: RM2,274,992,000).

11. Sukuk Commodity Murabahah and Sukuk-MBSB Structured Covered ("SC") Murabahah (cont'd.)

(a) Sukuk Commodity Murabahah (cont'd.)

JKSB issued a Sukuk Commodity Murabahah to the Bank to raise funds necessary for the purchase of Tranche Cover Assets from the Bank. The salient terms of the Sukuk Commodity Murabahah are as follows:

(i) The Sukuk Commodity Murabahah will be issued in Tranches corresponding to each Tranche of Sukuk-MBSB SC Murabahah;

(ii) The tenure of the Sukuk Commodity Murabahah will be equivalent to the tenure of each Tranche of the Sukuk-MBSB SC Murabahah plus an additional year; and

(iii) The profit rates of each Tranche of the Sukuk Commodity Murabahah will be equivalent to the profit rates of the corresponding Sukuk-MBSB SC Murabahah, payable semi-annually in arrears.

On 24 December 2013, the first drawdown of the Programme amounting to approximately RM495 million was made with an equivalent issuance by JKSB amounting to approximately RM624 million. The first Tranche is secured against Tranche Cover Assets amounting to RM570,637,000 sold to JKSB on 1 December 2013. The first Tranches of the Sukuk-MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 8 and 9 years from their drawdown dates respectively and both instruments carry profit rates ranging from 3.84% to 4.68% per annum, payable semi-annually in arrears.

On 10 December 2014, the second drawdown of the Programme amounting to approximately RM700 million was made with an equivalent issuance by JKSB amounting to approximately RM931 million. The second Tranche is secured against Tranche Cover Assets amounting to RM833,045,000 sold to JKSB on 1 November 2014. The second Tranches of the Sukuk-MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 10 and 11 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.00% to 5.00% per annum, payable semi-annually in arrears.

On 29 May 2015, the third drawdown of the Programme amounting to approximately RM900 million was made with an equivalent issuance by JKSB amounting to approximately RM1,510 million. The third Tranche is secured against Tranche Cover Assets amounting to RM1,232,642,000 sold to JKSB on 1 May 2015. The third Tranches of the Sukuk-MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 10 and 11 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.30% to 5.20% per annum, payable semi-annually in arrears.

On 21 October 2015, the fourth drawdown of the Programme amounting to approximately RM900 million was made with an equivalent issuance by JKSB amounting to approximately RM900 million. The fourth Tranche is secured against Tranche Cover Assets amounting to RM1,239,677,000 sold to JKSB on 1 October 2015. The fourth Tranches of the Sukuk-MBSB SC Murabahah and the Sukuk Commodity Murabahah have a tenure of 12 and 13 years from their drawdown dates respectively and both instruments carry profit rates ranging from 4.30% to 5.50% per annum, payable semi-annually in arrears.

Included in Sukuk Commodity Murabahah are amount owing from JKSB of RM27,634,000 (2019: RM27,634,000) and amount granted to JKSB of RM350,877,000 (2019: RM350,877,000) which is repayable upon maturity of the Tranche 4 of Sukuk Commodity Murabahah. These amounts are granted to JKSB as part of the Programme to raise the necessary funds for the purchase of the Tranche Cover Assets and are unsecured.

11. Sukuk Commodity Murabahah and Sukuk-MBSB Structured Covered ("SC") Murabahah (cont'd.)

(b) Sukuk-MBSB SC Murabahah

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Sukuk-MBSB SC Murabahah	1,366,563	1,664,973
Maturity of Sukuk-MBSB SC Murabahah:		
Within one year	294,388	294,973
More than one year	1,072,175	1,370,000
	1,366,563	1,664,973

On 25 October 2013, MBSB's Sukuk-MBSB SC Murabahah programme ("the Programme") was approved by the Securities Commission of Malaysia. The salient terms of the Programme as prescribed in its Principal Terms and Conditions are as follows:

(i) The Programme is available for issue within a period of 5 years from the first issuance date and is issued in tranches ("Tranche") from time to time, at the discretion of the issuer;

(ii) Each Tranche consists of multiple series of Sukuk with different maturities;

(iii) Each Tranche is backed by an identified pool of Financing Receivables ("Tranche Cover Assets") held by JKSB; JKSB issued an unconditional and irrevocable Covered Sukuk Guarantee to the holders of the Sukuk-MBSB SC Murabahah;

(iv) Tranche Cover Assets is pledged by JKSB as security for the Covered Sukuk Guarantee. These Tranche Cover Assets are assigned to the Sukuk Trustee for this purpose;

(v) In the event of default as defined in the Principal Terms and Conditions, the Tranche Cover Assets will be liquidated by the Sukuk Trustee in favour of the holders of the Sukuk-MBSB SC Murabahah; and

(vi) From time to time, additional Tranche Cover Assets will be purchased by JKSB in line with additional Tranches drawndown by the Bank.

As at 31 December 2020, the carrying amount of Financing Receivables identified to back the outstanding Sukuk MBSB SC-Murabahah was RM2,156,258,000 (2019: RM2,274,992,000) as disclosed in Note 10(i).

12. Other receivables

		Bank Group		Bank	
		2020	**2019**	**2020**	**2019**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Amount due from subsidiary	(i)	-	-	53,618	41,691
Financing to related companies	(ii)	571,042	661,555	571,042	661,555
Amount due from holding company	(iii)	-	78,416	-	78,416
Amount due from related companies		1,824	-	1,824	-
Prepayments and deposits		8,967	8,110	8,866	7,996
Deferred expenses		1,946	2,208	1,946	2,208
Sundry receivables		56,357	69,908	52,576	66,848
		640,136	820,197	689,872	858,714
Less: ECL at stage 3		(132,011)	(271,990)	(132,011)	(271,990)
		508,125	548,207	557,861	586,724

There was no transfer of ECL out of stage 3 during the financial year and previous year for financial assets under other receivables.

12. Other receivables (cont'd)

(i) Amount due from subsidiary

The amount is unsecured, subject to effective profit rate of 5.50% (2019: 6.75%) per annum and repayable on demand.

(ii) Financing to related companies

The financing are repayable on demand and certain financing are secured against landed properties. The effective profit rate of financing to related companies at the reporting date is 5.50% (2019: 6.75%) per annum.

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
At gross	571,042	661,555
Less: ECL at stage 3	(131,997)	(271,971)
	439,045	389,584

Included in financing to related companies is secured financing amounting to RM534,873,000 at gross (2019: RM500,909,000).

Movements of ECL at stage 3 is as follows:

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Balance as at 1 January	271,971	250,962
Charge for the year (Note 30)	(12,281)	21,009
Reversal due to repayment	(11)	-
Write off	(127,682)	-
Balance as at 31 December	131,997	271,971

(iii) Amount due from holding company

The amount due from holding company is unsecured, profit-free and repayable on demand.

13. Investment in subsidiary

	Bank	
	2020	**2019**
	RM'000	**RM'000**
Unquoted shares at cost	*	*

* Represents RM2.

Jana Kapital Sdn. Bhd. ("JKSB") is the only subsidiary of the Bank. Details of the subsidiary are as follow:

Name of subsidiary	**Principal activity**	**Effective interest held (%) 2020**	**2019**
Jana Kapital Sdn. Bhd.	Investment holding	100	100

The subsidiary was incorporated in Malaysia.

14. Investment in joint venture

	Bank Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares at cost	16,222	16,222	16,222	16,222
Less:				
Share of loss	(16,222)	(16,222)	-	-
Impairment	-	-	(16,222)	(16,222)
	-	-	-	-

The Bank invested RM16,222,000 (2019: RM16,222,000) in participating shares of Safeena (L) Ltd ("Safeena"), representing a 50% equity interest in a jointly controlled entity with AmanahRaya Investment Bank Ltd. The joint venture was incorporated in the Federal Territory of Labuan, Malaysia under the Labuan Companies Act, 1990. The principal activity of Safeena is the provision of funding for marine vessels. On 15 October 2017, Safeena was struck off the register under section 151D of Labuan Companies Act, 1990 and placed under liquidation within the period of 3 years from the strike off date. The period lapsed on 15 October 2020 and the company was deemed dissolved.

(i) Management shares

The management shares carry the right to vote on any matter which is required under the Labuan Companies Act, 1990, and the right to return of capital paid-up on the management shares (after the return of capital paid-up on the participating shares) and rights to dividend or to share in surplus investments remaining after the return of capital paid up on the shares of Safeena (L) Ltd.

(ii) Participating shares

The principal features of the participating shares are as follows:

(a) The participating shares do not confer any rights of entitlements to vote at meetings of Safeena (L) Ltd.

(b) Safeena (L) Ltd may in a management shareholders' meeting declare dividends but no dividend shall exceed the amount recommended by the Board of Directors ("the Board") to be justified by the profits of Safeena (L) Ltd.

(c) The Board may from time to time if they think fit pay such interim dividends on the participating shares as appear to the Board to be justified by the profits of Safeena (L) Ltd.

(d) The Board may, with the affirmative votes of the management shareholders, distribute in kind among shareholders by way of dividend or otherwise any of the assets of Safeena (L) Ltd provided that no distribution shall be made which will results in a reduction of capital except in a manner allowed by the Labuan Companies Act, 1990.

14. Investment in joint venture (cont'd.)

(ii) Participating shares (cont'd)

(e) The rights attached to the participating shareholders may be varied or abrogated with the consent in writing of the management shareholders provided that the management shareholders always act, at all times, in the interest of Safeena (L) Ltd.

(f) The participating shareholders do not have the right to require the redemption of any of their participating shares.

(g) The investments available for distribution amongst the shareholders shall be applied *pari passu* on the return of paid-up capital on management shares and participating shares.

(h) Any surplus investments of Safeena (L) Ltd shall be distributed *pari passu* amongst the participating shareholders and the Investment Advisors as performance fees in accordance with the provisions of the Investment Advisory Services Agreement.

15. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009 to satisfy the Statutory Reserve Requirement ("SRR"); which is determined at a set percentages of total eligible liabilities. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021. Subsequently, BNM had made an announcement on 20 January 2021 that the flexibility is extended until 31 December 2022.

16. Investment property

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
At cost		
Freehold land		
At 1 January	874	874
Accumulated impairment loss	(54)	(54)
At 31 December	820	820
Fair Value		
At 1 January	820	820
At 31 December	875	820

The fair value of the investment property is categorised as Level 3 fair value derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

17. Property and equipment

Bank Group and Bank

	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Work in progress RM'000	Total RM'000
Cost						
At 1 January 2020	36,177	19,101	977	58,611	-	114,866
Additions	2,971	248	-	3,120	3,804	10,143
Disposals	(432)	(34)	-	-	-	(466)
At 31 December 2020	38,716	19,315	977	61,731	3,804	124,543
Accumulated depreciation						
At 1 January 2020	29,833	16,898	677	42,014	-	89,422
Depreciation charge for the year (Note 34)	2,014	639	81	4,971	-	7,705
Disposals	(432)	(34)	-	-	-	(466)
At 31 December 2020	31,415	17,503	758	46,985	-	96,661
Net book value						
At 31 December 2020	7,301	1,812	219	14,746	3,804	27,882

17. Property and equipment (cont'd.)

Bank Group and Bank

	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Work in progress RM'000	Total RM'000
Cost						
At 1 January 2019	30,826	20,326	660	53,057	2,587	107,456
Additions	5,398	1,309	317	5,037	-	12,061
Reclassification	-	-	-	1,383	(1,383)	-
Write-off	(6)	(2,515)	-	(866)	-	(3,387)
Reversal	(41)	(19)	-	-	(1,204)	(1,264)
At 31 December 2019	36,177	19,101	977	58,611	-	114,866
Accumulated depreciation						
At 1 January 2019	28,638	18,674	612	38,609	-	86,533
Depreciation charge for the year (Note 34)	1,201	739	65	4,271	-	6,276
Write-off	(6)	(2,515)	-	(866)	-	(3,387)
At 31 December 2019	29,833	16,898	677	42,014	-	89,422
Net book value						
At 31 December 2019	6,344	2,203	300	16,597	-	25,444

18. Intangible assets

Bank Group and Bank

	Software licences RM'000	Work in progress RM'000	Total RM'000
Cost			
At 1 January 2019	182,682	28,131	210,813
Additions	34,121	-	34,121
Reclassification	990	(990)	
Reversal	(552)	(489)	(1,041)
At 31 December 2019/1 January 2020	217,241	26,652	243,893
Additions	18,774	8,661	27,435
Reclassification	26,652	(26,652)	-
At 31 December 2020	262,667	8,661	271,328
Accumulated amortisation			
At 1 January 2019	106,121	-	106,121
Amortisation for the year (Note 34)	22,213	-	22,213
At 31 December 2019/1 January 2020	128,334	-	128,334
Amortisation for the year (Note 34)	31,545	-	31,545
At 31 December 2020	159,879	-	159,879
Net book value			
At 1 January 2019	76,561	28,131	104,692
At 31 December 2019/1 January 2020	88,907	26,652	115,559
At 31 December 2020	102,788	8,661	111,449

19. Right-of-use assets and lease liabilities

(a) Right-of-use assets

	Bank Group and Bank RM'000
Cost	
At 1 January 2019	24,019
Addition	6,010
At 31 December 2019/1 January 2020	30,029
Addition	11,296
At 31 December 2020	41,325
Accumulated depreciation	
At 1 January 2019	-
Depreciation for the period (Note 34)	13,208
At 31 December 2019/1 January 2020	13,208
Depreciation for the period (Note 34)	13,237
At 31 December 2020	26,445
Net book value	
At 1 January 2019	24,019
At 31 December 2019/1 January 2020	16,821
At 31 December 2020	14,880

The Bank Group and Bank lease a number of premises whose lease periods are between one year and five years.

(b) Lease liabilities

	Bank Group and Bank	
	2020 RM'000	2019 RM'000
Current		
Lease liabilities	5,523	3,639
Non-current		
Lease liabilities	9,670	13,491
	15,193	17,130

19. Right-of-use assets and lease liabilities

(b) Lease liabilities (cont'd.)

The movement of lease liabilities during the financial year is as follows:

	Bank Group and Bank RM'000
At 1 January 2019	24,019
Additions	6,010
Lease profit expense (Note 34)	920
Lease payments	(13,819)
At 31 December 2019/1 January 2020	17,130
Additions	11,288
Lease profit expense (Note 34)	549
Lease payments	(13,774)
At 31 December 2020	15,193

Amount recognised in the statement of profit or loss:

	Bank Group and Bank	
	2020 RM'000	2019 RM'000
Depreciation of right-of-use assets (Note 34)	13,237	13,208
Lease profit expense (Note 34)	549	920

Amount recognised in the statement of cash flows:

	Bank Group and Bank	
	2020 RM'000	2019 RM'000
Included in net cash from financing activities		
Profit expense on lease liabilities (Note 34)	549	920
Payment of lease liabilities	(13,774)	(13,819)
Total cash outflow for leases	(13,225)	(12,899)

20. Deposits from customers

(i) By type of deposit:

	Bank Group and Bank	
	2020	2019
	RM'000	RM'000
Non-Mudharabah Funds:		
Commodity Murabahah Term Deposits	23,781,938	24,738,093
Demand deposits	288,418	192,380
Savings deposits	283,079	341,478
	24,353,435	25,271,951

(ii) Maturity structure of term deposits are as follows:

	Bank Group and Bank	
	2020	2019
	RM'000	RM'000
Due within six months	16,316,307	16,480,775
More than six months to one year	5,079,445	5,426,032
More than one year to three years	2,020,109	1,891,341
More than three years	366,077	939,945
	23,781,938	24,738,093

(iii) By type of customers:

	Bank Group and Bank	
	2020	2019
	RM'000	RM'000
Government and statutory bodies	12,058,760	12,696,568
Business enterprises	7,568,566	7,229,721
Individuals	4,726,109	5,345,662
	24,353,435	25,271,951

(iv) By type of contract:

	Bank Group and Bank	
	2020	2019
	RM'000	RM'000
Tawarruq	24,353,435	25,271,951
	24,353,435	25,271,951

21. Deposits and placements of banks and other financial institutions

	Bank Group and Bank 2020 RM'000	Bank Group and Bank 2019 RM'000
(i) By type of deposit:		
Non-Mudharabah Funds:		
Other financial institutions:		
- Licensed investment banks	1,233	152,390
- Licensed Islamic banks	100,010	112,937
- Other financial institutions	9,428,062	10,356,442
	9,529,305	10,621,769
(ii) By type of contract:		
Tawarruq	9,529,305	10,621,769
	9,529,305	10,621,769

22. Other payables

		Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Amount due to subsidiary	(i)	-	-	2,156,258	2,274,992
Amount due to related companies	(ii)	7,727	33,668	7,727	33,668
Amount due to holding company	(iii)	162,993	-	162,993	-
Al-Mudharabah security funds		144,168	137,309	144,168	137,309
ECL for commitments and contingencies	(iv)	44,443	65,239	44,443	65,239
Other provisions and accruals		86,927	70,260	86,907	70,054
Deferred income		26,828	34,838	26,828	34,838
Sundry creditors		268,080	230,430	267,896	230,431
		741,166	571,744	2,897,220	2,846,531

(i) Amount due to subsidiary

This amount relates to the sale of a portfolio of PFi that does not meet the derecognition criteria prescribed under MFRS 9 as detailed in Note 5(a).

(ii) Amount due to related companies

The amount due to related companies are unsecured, profit-free and repayable on demand.

(iii) Amount due to holding company

The amount due to holding company is unsecured, profit-free and repayable on demand.

22. Other payables (cont'd)

(iv) ECL for commitments and contigencies

Movement of ECL for commitments and contingencies is as follows:

2020	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
ECL at 1 January 2020	43,945	17,802	3,492	65,239
Total charged to profit or loss (Note 30)	(25,067)	(4,528)	9,408	(20,187)
Changes in the impairment allowance:				
- Transfer to stage 1	762	(685)	(77)	-
- Transfer to stage 2	(2,937)	3,043	(106)	-
- Transfer to stage 3	(367)	(1,519)	1,886	-
New financing/disbursement during the year	9,416	3,176	66	12,658
Repayment/drawdown to financing during the year	(18,535)	(8,462)	(2,092)	(29,089)
Changes in credit risk parameters #	(13,406)	(81)	9,731	(3,756)
Write-off	-	-	(609)	(609)
ECL at 31 December 2020	18,878	13,274	12,291	44,443

The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

2019	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
ECL at 1 January 2019	52,717	36,630	4,596	93,943
Total charged to profit or loss (Note 30)	(8,772)	(18,828)	(1,104)	(28,704)
Changes in the impairment allowance:				
- Transfer to stage 1	4,854	(2,350)	(2,504)	-
- Transfer to stage 2	(4,890)	5,190	(300)	-
- Transfer to stage 3	(791)	(4,802)	5,593	-
New financing/disbursement during the year	25,153	1,791	426	27,370
Repayment/drawdown to financing during the year	(12,460)	(6,063)	(621)	(19,144)
Changes in credit risk parameters	(14,280)	(4,746)	(3,227)	(22,253)
Changes to model assumptions and methodologies^	(6,358)	(7,848)	(471)	(14,677)
ECL at 31 December 2019	43,945	17,802	3,492	65,239

^ The changes to model assumptions and methodologies were in relation to incorporation of additional macroeconomic variables (“MEV”) to account for potential impact from various external factors and incorporation of cure rates to the loss given default (“LGD”) model.

23. Recourse obligation on financing sold

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Repayments due within 12 months	401,240	100,857
Repayments due after 12 months	1,861,291	2,380,394
	2,262,531	2,481,251

These amounts relate to proceeds received from the sale of Islamic property financing to Cagamas Berhad with recourse to the Bank. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing which are regarded as defective based on a set of pre-determined criteria.

The recourse obligation on credit facilities granted by Cagamas Berhad are secured on a portfolio of financing amounting to RM2,546,344,000 (2019: RM2,608,415,000) as disclosed in Note 10(i).

24. Sukuk Wakalah

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Sukuk Wakalah	1,293,335	1,293,075
Maturity of Sukuk Wakalah:		
Within one year	2,018	2,201
More than one year	1,291,317	1,290,874
	1,293,335	1,293,075

The Bank's Sukuk Wakalah Programme of up to RM10.0 billion nominal value was approved by Bank Negara Malaysia and endorsed by the Securities Commission in November 2019. The Sukuk Wakalah Programme comprises:

(i) Senior Sukuk Wakalah, and/or
(ii) Tier-2 Sukuk Wakalah, and/or
(iii) Additional Tier-1 Sukuk Wakalah

In December 2019, the Bank issued Tier-2 Sukuk Wakalah in nominal value of RM1,300 million, comprising RM650 million at 5.05% per annum and RM650 million at 5.25% per annum The salient terms of the Tier-2 Sukuk Wakalah are as follow:

(i) subject to call option, with minimum tenure of at least 5 years
(ii) not pledged to any security
(iii) non-convertible

25. Deferred tax liabilities

	Bank Group and Bank	
	2020 RM'000	2019 RM'000
At 1 January	(94,739)	(41,552)
Recognised in profit or loss (Note 36)	27,535	(7,598)
Recognised in other comprehensive income (Notes 27 and 36)	(25,164)	(45,589)
At 31 December	(92,368)	(94,739)

The movements in deferred tax assets and liabilities during the financial year comprises the following:

Bank Group and Bank	Fair value reserve RM'000	Capital allowances RM'000	Impairment allowances RM'000	Others RM'000	Total RM'000
Deferred tax assets/(liabilities)					
At 1 January 2019	(3,382)	(11,677)	(41,234)	14,741	(41,552)
Recognised in profit or loss (Note 36)	-	(7,511)	(1,629)	1,542	(7,598)
Recognised in other comprehensive income (Notes 27 and 36)	(45,589)	-	-	-	(45,589)
At 31 December 2019/ 1 January 2020	(48,971)	(19,188)	(42,863)	16,283	(94,739)
Recognised in profit or loss (Note 36)	-	(694)	16,617	11,612	27,535
Recognised in other comprehensive income (Notes 27 and 36)	(25,164)	-	-	-	(25,164)
At 31 December 2020	(74,135)	(19,882)	(26,246)	27,895	(92,368)

26. Share Capital

	Number of shares		Amount	
Bank Group and Bank	**2020 Units'000**	**2019 Units'000**	**2020 RM'000**	**2019 RM'000**
Ordinary shares				
Issued and fully paid shares with no par value:				
At 1 January	5,159,859	4,625,859	5,159,859	4,625,859
Issued during the year	-	534,000	-	534,000
At 31 December	5,159,859	5,159,859	5,159,859	5,159,859

The holders of ordinary shares are entitled to receive dividends from time to time, as and when declared by the Bank, after obtaining the regulatory approval from Bank Negara Malaysia prior to the declaration of dividends.

All ordinary shares are entitiled to one vote per share at meetings of the Bank.

On 13 December 2019, the Bank increased its issued and paid-up share capital from RM4,625,859,288 to RM5,159,859,288 via the issuance of 534,000 new ordinary shares.

27. Reserves

Bank Group	Non-distributable Regulatory reserve (i) RM'000	Non-distributable Fair value reserve (ii) RM'000	Distributable Retained profits RM'000	Total RM'000
Balance as at 1 January 2020	5,234	155,090	1,221,956	1,382,280
Profit for the year	-	-	279,189	279,189
Other comprehensive income for the year:				
- net changes in fair value	-	104,836	-	104,836
- income tax relating to component of other comprehensive income (Note 25)	-	(25,164)	-	(25,164)
	-	79,672	-	79,672
Dividends	-	-	(133,657)	(133,657)
Balance as at 31 December 2020	5,234	234,762	1,367,488	1,607,484
Balance as at 1 January 2019	5,234	10,708	671,110	687,052
Profit for the year	-	-	550,846	550,846
Other comprehensive income for the year:				
- net changes in fair value	-	189,971	-	189,971
- income tax relating to component of other comprehensive income (Note 25)	-	(45,589)	-	(45,589)
	-	144,382	-	144,382
Balance as at 31 December 2019	5,234	155,090	1,221,956	1,382,280

27. Reserves (cont'd.)

	← Non-distributable	→	Distributable	
Bank	**Regulatory reserve (i) RM'000**	**Fair value reserve (ii) RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance as at 1 January 2020	5,234	155,090	728,583	888,907
Profit for the year	-	-	196,798	196,798
Other comprehensive income for the year:				
- net changes in fair value	-	104,836	-	104,836
- income tax relating to component of other comprehensive income (Note 25)	-	(25,164)	-	(25,164)
	-	79,672	-	79,672
Dividends	-	-	(133,657)	(133,657)
Balance as at 31 December 2020	5,234	234,762	791,724	1,031,720
Balance as at 1 January 2019	5,234	10,708	259,543	275,485
Profit for the year	-	-	469,040	469,040
Other comprehensive income for the year:				
- net changes in fair value	-	189,971	-	189,971
- income tax relating to component of other comprehensive income (Note 25)	-	(45,589)	-	(45,589)
	-	144,382	-	144,382
Balance as at 31 December 2019	5,234	155,090	728,583	888,907

27. Reserves (cont'd.)

(i) Regulatory Reserve

The regulatory reserve is maintained in accordance with Bank Negara Malaysia's policy on Financial Reporting for Islamic Banking Institutions to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1% (2019: no less than 1%) of total credit exposures, net of loss allowance for credit-impaired exposures.

During the year, Bank Negara Malaysia permitted reduction of the reserve as part of the Covid-19 related measures to drawdown prudential buffers. The Bank has yet to drawdown the reserve for the year 2020.

(ii) Fair Value Reserve

The fair value reserve includes the cumulative net changes in the fair value of financial investments at FVOCI and the ECL arising from financial investments at FVOCI, until the financial investments are derecognised.

28. Income derived from investment of depositors' funds

	Bank Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income derived from investment of:				
i) General investment deposit	-	1	-	1
ii) Other deposits	2,129,110	2,189,303	2,187,825	2,259,442
	2,129,110	2,189,304	2,187,825	2,259,443

i) Income derived from investment of general investment deposits

Finance income and hibah:				
Financing and advances	-	1	-	1
Financial investments at FVOCI	-	-	-	-
Financial investments at amortised cost	-	-	-	-
Money at call and deposits with bank and other financial institutions	-	-	-	-
Profit on Sukuk Commodity Murabahah	-	-	-	-
Others	-	-	-	-
	-	1	-	1
of which:				
Financing income earned on impaired financing	-	-	-	-

28. Income derived from investment of depositors' funds (cont'd.)

ii) Income derived from investment of other deposits

	Bank Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance income and hibah:				
Financing and advances	1,675,115	1,731,086	1,675,115	1,731,086
Financial investments at FVOCI	388,152	314,030	388,152	314,030
Financial investments at amortised cost	14,425	19,067	14,425	19,067
Financial investments at FVTPL	188	267	188	267
Money at call and deposits with bank and other financial institutions	25,637	89,218	25,637	89,218
Profit on Sukuk Commodity Murabahah	-	-	58,715	70,139
Others	25,593	35,635	25,593	35,635
	2,129,110	2,189,303	2,187,825	2,259,442
of which:				
Financing income earned on impaired financing	11,802	18,164	11,802	18,164

The amounts reported above include finance income and hibah calculated using effective profit rate method that relate to the following:

	Bank Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at amortised cost	1,740,770	1,875,006	1,799,485	1,945,145
Financial assets at FVOCI	388,152	314,030	388,152	314,030
Finance income and hibah from financial assets not measured at FVTPL	2,128,922	2,189,036	2,187,637	2,259,175

29. Income derived from investment of shareholders' funds

	Bank Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance income and hibah:				
Financing and advances	583,526	556,671	583,526	556,671
Financial investments at FVTPL	2	6	2	6
Financial investments at FVOCI	3,763	8,115	3,763	8,115
Financial investments at amortised cost	5,163	6,412	5,163	6,412
Money at call and deposits with bank and other financial institutions	25,263	32,655	249	2,034
Profit on Sukuk Commodity Murabahah	-	-	20,645	22,956
Others	6,239	9,303	9,000	11,663
	623,956	613,162	622,348	607,857
of which:				
Financing income earned on impaired financing	4,149	5,945	4,149	5,945

29. Income derived from investment of shareholders' funds (cont'd.)

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Other operating income:				
Financing related fees	(1,036)	906	(1,036)	906
Gain from sale of FVOCI	246,782	58,592	246,782	58,592
Gain from sale of FVTPL	2,817	1,424	2,817	1,424
Commission	12,041	13,621	12,041	13,621
Sundry (expenses)/income	(24,125)	1,844	(24,125)	1,844
	236,479	76,387	236,479	76,387
	860,435	689,549	858,827	684,244

The amounts reported above include finance income and hibah calculated using effective profit rate method that relate to the following:

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Financial assets at amortised cost	620,191	605,041	618,583	599,736
Financial assets at FVOCI	3,763	8,115	3,763	8,115
Finance income and hibah from financial assets not measured at FVTPL	623,954	613,156	622,346	607,851

30. Net allowance for impairment on financing and advances and other financial assets

Bank Group and Bank

2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI (Note 8)	(11)	-	-	(11)
Financial investments at amortised cost (Note 9)	(62)	501	-	439
Financing and advances (Note 10(x))	(35,752)	218,718	208,397	391,363
Financing to related companies (Note 12(ii))	-	-	(12,292)	(12,292)
Financing commitments and financial guarantees (Note 22(iv))	(25,067)	(4,528)	9,408	(20,187)
Sundry receivables	-	-	(4)	(4)
	(60,892)	214,691	205,509	359,308
Impaired financing and advances:				
- Written off	-	-	2,792	2,792
- Recovered	-	-	(8,885)	(8,885)
	(60,892)	214,691	199,416	353,215

30. Net allowance for impairment on financing and advances and other financial assets (cont'd.)

Bank Group and Bank

2019	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Financial investments at FVOCI (Note 8)	18	-	-	18
Financial investments at amortised cost (Note 9)	146	-	-	146
Financing and advances (Note 10(x))	54,753	(86,705)	198,493	166,541
Financing to related companies (Note 12(ii))	-	-	21,009	21,009
Financing commitments and financial guarantees (Note 22(iv))	(8,772)	(18,828)	(1,104)	(28,704)
Sundry receivables	-	-	19	19
	46,145	(105,533)	218,417	159,029
Impaired financing and advances:				
- Written off	-	-	11,087	11,087
- Recovered	-	-	(14,073)	(14,073)
	46,145	(105,533)	215,431	156,043

31. Loss on modification of cash flows

	Bank Group and Bank	
	2020 RM'000	**2019 RM'000**
Loss on modification of cash flows	504,676	-

During the financial year, the Bank granted moratorium to eligible individuals, SMEs and Corporates following BNM announcements to ease the cash flow of those affected by Covid-19 pandemic. This offer is applicable to performing financing, denominated in Malaysian Ringgit, and have not been in arrears for more than 90 days upon granting moratorium.

As a results of the moratorium, the Bank Group and Bank recognised loss on modification of cash flows arising from difference of the gross carrying amount recalculated at the present value of the modified contractual cash flows. The loss on modification of cash flows is material following high exposure to fixed rate personal financing.

The moratorium does not automatically result in stage transfer under MFRS 9.

32. Income attributable to depositors and others

	Bank Group		**Bank**	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
(a) Income attributable to depositors				
Deposits from customers:				
- Non-mudharabah funds	836,624	1,077,605	836,624	1,077,605
Deposits and placements of banks and other financial institutions:				
- Non-mudharabah funds	241,272	350,803	241,272	350,803
	1,077,896	1,428,408	1,077,896	1,428,408

32. Income attributable to depositors and others (cont'd.)

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
(b) Income attributable to securitisation	101,676	93,821	101,676	93,821
(c) Income attributable to sukuk	147,016	95,312	147,016	95,312
(d) Others	-	-	147,852	156,571
	1,326,588	1,617,541	1,474,440	1,774,112

The amounts reported above are income attributable to depositors and others using the effective profit rate method that relate to financial liabilities measured at amortised cost.

33. Personnel expenses

	Bank Group and Bank 2020 RM'000	Bank Group and Bank 2019 RM'000
Salaries, allowances and bonuses	222,782	181,685
Contributions to EPF and SOCSO	38,702	32,514
Directors' remuneration (Note 35)	2,853	2,257
Shariah Advisory Committee members' remuneration (Note 35)	368	394
Other staff related expenses	22,015	24,802
	286,720	241,652

34. Other overhead expenses

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
<u>Establishment related expenses</u>				
Depreciation of property and equipment	7,705	6,276	7,705	6,276
Amortisation of intangible assets	31,545	22,213	31,545	22,213
Depreciation of right-of-use assets	13,237	13,208	13,237	13,208
Rental of premises	-	2,812	-	2,812
Software and hardware maintenance	31,973	16,682	31,973	16,682
Rental of equipment and network line	3,499	-	3,499	-
Security expenses	3,284	2,723	3,284	2,723
Lease profit expense	549	920	549	920
Others	-	3,242	-	3,242
	91,792	68,076	91,792	68,076
<u>Promotion and marketing related expenses</u>				
Advertising and promotional activities	12,946	13,260	12,946	13,260
	12,946	13,260	12,946	13,260
<u>General administrative expenses</u>				
License and association fees and levies	404	150	404	150
Travelling, transport and accomodation expenses	2,189	3,695	2,189	3,695
Printing, stationery, postage and clearing charges	6,269	5,801	6,269	5,801
Electricity and water	3,806	3,744	3,806	3,744

34. Other overhead expenses (cont'd.)

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
General administrative expenses (cont'd.)				
Other professional fees	7,156	11,068	7,061	11,068
Auditors' remuneration:				
- Audit fee	1,253	1,253	1,240	1,240
- Regulatory related services	200	200	200	200
- Non-audit fee	-	200	-	200
Repair and maintenance of office equipment	265	318	265	318
Others	12,021	9,973	11,517	9,386
	33,563	36,402	32,951	35,802
Commission fees				
Angkasa charges	14,017	29,172	14,017	29,172
Commission fees	3,595	4,833	3,595	4,833
	17,612	34,005	17,612	34,005
Inter-company recharges ^	(16,645)	(41,316)	(18,481)	(42,954)
	139,268	110,427	136,820	108,189

^ The inter-company recharges of the Bank Group and Bank were transactions entered with related entities in Malaysia.

35. CEO, Directors' and Shariah Advisory Committee Members' remuneration

	Bank Group and Bank 2020 RM'000	Bank Group and Bank 2019 RM'000
Chief Executive Officer		
Datuk Seri Ahmad Zaini bin Othman		
Salaries and bonus	3,440	4,260
Other emoluments	570	714
	4,010	4,974
Directors of the Bank		
Non-Executive:		
Fees and allowances	2,853	2,257
Shariah Advisory Committee members		
Fees and allowances	368	394
	7,231	7,625

35. CEO, Directors' and Shariah Advisory Committee Members' remuneration (cont'd.)

Details of the remuneration of each Director are as follows:

2020	**Bank Group and Bank**		
Non-Executive Directors	**Fees RM'000**	**Allowance RM'000**	**Total RM'000**
1. Tan Sri Abdul Halim bin Ali	140	203	343
2. Datuk Azrulnizam bin Abdul Aziz	133	145	278
3. Encik Aw Hong Boo	152	125	277
4. Datuk Johar bin Che Mat	155	159	314
5. Puan Lynette Yeow Su-Yin	135	159	294
6. Encik Sazaliza Zainuddin	120 *	123	243
7. Tunku Alina binti Raja Muhd Alias	140	151	291
8. Dr. Loh Leong Hua	163	173	336
9. Encik Kamarulzaman Bin Ahmad	141	136	277
10. Encik Arul Sothy Mylvaganam	93	107	200
	1,372	1,481	2,853

* 50% of the Director's fees are paid to the organisation to whom the Director represents.

Shariah Advisory Committee members	**Fees RM'000**	**Allowance RM'000**	**Total RM'000**
1. Asst. Prof. Dr. Akhtarzaite binti Abdul Aziz	-	7	7
2. Prof. Dr. Abdul Rahim bin Abdul Rahman	-	7	7
3. Prof. Dato' Dr. Noor Inayah binti Ya'akub	-	7	7
4. Encik Mohd Nasiruddin bin Mohd Kamaruddin	-	82	82
5. Encik Mohd Bahroddin bin Badri	-	94	94
6 Dr. Luqman Bin Haji Abdullah	-	79	79
7 Dr. Ahmad Faizol Bin Ismail	-	62	62
8 Encik Nasrun Bin Mohamad @ Ghazali	-	30	30
	-	368	368

35. CEO, Directors' and Shariah Advisory Committee Members' remuneration (cont'd.)

2019		Bank Group and Bank		
Non-Executive Directors		**Fees RM'000**	**Allowance RM'000**	**Total RM'000**
1.	Tan Sri Abdul Halim bin Ali	140	187	327
2.	Datuk Azrulnizam bin Abdul Aziz	120	105	225
3.	Encik Aw Hong Boo	165	163	328
4.	Datuk Johar bin Che Mat	155	129	284
5.	Puan Lynette Yeow Su-Yin	135	133	268
6.	Encik Sazaliza Zainuddin	120 *	98	218
7.	Tunku Alina binti Raja Muhd Alias	140	132	272
8.	Dr. Loh Leong Hua	150	135	285
9.	Encik Kamarulzaman Bin Ahmad	30	20	50
		1,155	1,102	2,257

* 50% of the Director's fees are paid to the organisation to whom the Director represents.

Shariah Advisory Committee members		**Fees RM'000**	**Allowance RM'000**	**Total RM'000**
1.	Asst. Prof. Dr. Akhtarzaite binti Abdul Aziz	-	90	90
2.	Prof. Dr. Abdul Rahim bin Abdul Rahman	-	69	69
3.	Prof. Dato' Dr. Noor Inayah binti Ya'akub	-	75	75
4.	Encik Mohd Nasiruddin bin Mohd Kamaruddin	-	82	82
5.	Encik Mohd Bahroddin bin Badri	-	78	78
		-	394	394

36. Taxation

	Bank Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysian income tax:				
Current income tax	106,533	170,188	100,776	162,839
Under provision in prior year	21,254	25,386	21,105	25,042
	127,787	195,574	121,881	187,881
Deferred tax (Note 25):				
Origination and reversal of temporary differences	(28,064)	5,134	(28,064)	5,134
Under provision in prior year	529	2,464	529	2,464
	(27,535)	7,598	(27,535)	7,598
Total income tax expense for the year	100,252	203,172	94,346	195,479

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank Group and of the Bank is as follows:

	Bank Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation and zakat	379,078	753,190	290,781	663,691
Taxation at Malaysian statutory tax rate of 24%	90,979	180,766	69,787	159,286
Effect of income not subject to tax	(35,485)	(37,577)	-	-
Effect of expenses not deductible for tax purposes	22,975	32,133	2,925	8,687
Under provision in prior years	21,783	27,850	21,634	27,506
	100,252	203,172	94,346	195,479
Tax recognised directly in equity:				
Fair value reserve (Note 27)	25,164	45,589	25,164	45,589

37. Commitments and contingencies

In the normal course of business, the Bank Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	Principal amount RM'000	Credit equivalent amount RM'000	Risk - weighted amount RM'000
Bank Group and Bank			
2020			
Direct credit substitutes	61,797	52,254	52,254
Trade-related contingencies	93,426	46,713	46,713
Short-term self-liquidating trade-related contingencies	107,698	21,540	21,540
Irrevocable commitments to extend credit:			
- one year or less	612,780	155,399	155,399
- over one year to five years	1,562,430	778,569	701,984
- over five years	8,308	4,153	4,152
Foreign exchange related contracts			
- one year or less	278,310	5,896	3,345
	2,724,749	1,064,524	985,387

	Principal amount RM'000	Credit equivalent amount RM'000	Risk - weighted amount RM'000
Bank Group and Bank			
2019			
Direct credit substitutes	175,335	175,156	175,156
Trade-related contingencies	93,805	46,903	46,903
Short-term self-liquidating trade-related contingencies	83,691	16,738	16,738
Irrevocable commitments to extend credit:			
- one year or less	1,338,351	307,921	307,921
- over one year to five years	3,077,627	1,537,045	1,482,196
- over five years	72,000	36,000	36,000
Foreign exchange related contracts			
- one year or less	228,295	7,277	1,536
	5,069,104	2,127,040	2,066,450

37. Commitments and contingencies (cont'd.)

37.1 Capital Commitments

Capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Property and equipment / Intangible assets:		
Contracted but not provided for	26,284	50,342

38. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year.

	Bank Group	
	2020	**2019**
Basic:		
Net profit for the year (RM'000)	279,189	550,846
Weighted average number of ordinary shares in issue ('000)	5,159,859	4,653,657
Basic earnings per share (sen)	5.41	11.84

The Bank Group has no dilution in their earnings per ordinary share in the current and previous financial years as there are no dilutive potential ordinary shares.

39. Dividends

Dividends recognised by the Bank:

2019	**sen per share**	**Total amount**	**Date of payment**
	sen	**RM'000**	
Final 2019 ordinary	2.59	133,657	5 June 2020

Subsequent to the financial year end, the Directors approved a proposed single-tier final dividend of 1.35 sen per ordinary share in respect of the financial year ended 31 December 2020. Based on the number of shares in issue of 5,159,859,288 as at 31 December 2020, the dividend payable would be RM69,753,885.

The financial statements for the current financial year do not reflect the final dividend above. This dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2021.

40. Capital adequacy

The capital adequacy ratios have been computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets). The total risk-weighted assets are computed based on Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

In December 2020, Bank Negara Malaysia issued a revised Policy Document on the Capital Adequacy Framework for Islamic Banks (Capital Components) ("CAFIB") and with immediate effect, superseding the version previously issued in February 2020. The revised CAFIB has provided for an optional transitional arrangement with regards to the regulatory capital treatment of expected credit losses ("ECL") provisions.

This new optional transitional arrangement allows Islamic financial institutions to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are ascribed to non-credit impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions) to CET1 capital on a gradual phase-out basis either over a four-year period from the financial year beginning 2020, or over a three-year period from the financial year beginning 2021.

The Bank Group and the Bank have elected to apply this transitional arrangement ("TA") for four financial years from the financial year beginning 1 January 2020 to 31 December 2023.

For the purpose of disclosures in the financial statements, the capital adequacy of the Bank Group and the Bank as at 31 December 2020 are disclosed 'with TA' and 'without TA'

40. Capital adequacy (cont'd.)

	Bank Group		
	With TA 2020 RM'000	Without TA 2020 RM'000	2019 RM'000
Common Equity Tier 1 ("CET 1") Capital			
Ordinary share capital	5,159,859	5,159,859	5,159,859
Retained profits exclude merger reserve	1,020,604	1,020,604	875,072
Other reserves	239,996	239,996	160,324
	6,420,459	6,420,459	6,195,255
Less: Regulatory adjustments			
Cumulative gains of financial investments at FVOCI	(191,046)	(191,046)	(114,082)
Regulatory reserve	(5,234)	(5,234)	(5,234)
Intangible assets	(111,449)	(111,449)	(115,559)
Other CET 1 regulatory adjustments	153,372	-	-
Total CET 1 Capital	6,266,102	6,112,730	5,960,380
Tier 1 Capital			
Additional Tier 1 capital instruments	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-
Total Tier 1 capital	6,266,102	6,112,730	5,960,380
Tier 2 Capital			
Stage 1 & Stage 2 expected credit loss allowances^	453,807	453,807	468,898
Tier 2 capital instruments	1,293,335	1,293,335	1,293,075
Total Tier 2 capital	1,747,142	1,747,142	1,761,973
Total capital base	8,013,244	7,859,872	7,722,353

^ Expected credit loss allowances on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.

Breakdown of risk-weighted assets in various categories of risk weights are as follows:

	Bank Group		
	With TA 2020 RM'000	Without TA 2020 RM'000	2019 RM'000
Total risk-weighted assets ("RWA")			
- Credit risk	36,304,570	36,304,570	37,511,800
- Market risk	36,226	36,226	33,759
- Operational risk	2,188,152	2,188,152	1,331,960
Total RWA	38,528,948	38,528,948	38,877,519
Capital adequacy ratios			
CET 1 capital ratio	16.263%	15.865%	15.331%
Tier 1 capital ratio	16.263%	15.865%	15.331%
Total capital ratio	20.798%	20.400%	19.863%

40. Capital adequacy (cont'd.)

	Bank		
	With TA 2020 RM'000	Without TA 2020 RM'000	2019 RM'000
Common Equity Tier 1 ("CET 1") Capital			
Ordinary share capital	5,159,859	5,159,859	5,159,859
Retained earnings	791,724	791,724	728,583
Other reserves	239,996	239,996	160,324
	6,191,579	6,191,579	6,048,766
Less: Regulatory adjustments			
Cumulative gains of financial investments at FVOCI	(191,046)	(191,046)	(114,082)
Regulatory reserve	(5,234)	(5,234)	(5,234)
Intangible assets	(111,449)	(111,449)	(115,559)
Other CET 1 regulatory adjustments	153,372	-	-
Total CET 1 Capital	6,037,222	5,883,850	5,813,891
Tier 1 Capital			
Additional Tier 1 capital instruments	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-
Total Tier 1 capital	6,037,222	5,883,850	5,813,891
Tier 2 Capital			
Stage 1 & Stage 2 expected credit loss allowances^	481,430	481,430	499,927
Tier 2 capital instruments	1,293,335	1,293,335	1,293,075
Total Tier 2 capital	1,774,765	1,774,765	1,793,002
Total capital base	7,811,987	7,658,615	7,606,893

^ Expected credit loss allowances on non-credit impaired exposure and regulatory reserves is subject to a maximum of 1.25% of total credit risk-weighted assets.

Breakdown of risk-weighted assets in various categories of risk weights are as follows:

	Bank		
	With TA 2020 RM'000	Without TA 2020 RM'000	2019 RM'000
Total risk-weighted assets ("RWA")			
- Credit risk	38,514,371	38,514,371	39,994,106
- Market risk	36,226	36,226	33,759
- Operational risk	2,025,263	2,025,263	1,227,512
Total RWA	40,575,860	40,575,860	41,255,377
Capital adequacy ratios			
CET 1 capital ratio	14.879%	14.501%	14.092%
Tier 1 capital ratio	14.879%	14.501%	14.092%
Total capital ratio	19.253%	18.875%	18.439%

40. Capital adequacy (cont'd.)

The capital ratios after the proposed single-tier final dividend of 1.35 sen per ordinary share in respect of financial year ended 31 December 2020 amounting to RM69,753,885 are as follows:

Capital adequacy ratios (after proposed single-tier final dividend)

	Bank Group		
	With TA 2020 RM'000	**Without TA 2020 RM'000**	**2019 RM'000**
CET 1 capital ratio	16.082%	15.684%	14.987%
Tier 1 capital ratio	16.082%	15.684%	14.987%
Total capital ratio	20.617%	20.219%	19.519%

	Bank		
	With TA 2020 RM'000	**Without TA 2020 RM'000**	**2019 RM'000**
CET 1 capital ratio	14.707%	14.329%	13.768%
Tier 1 capital ratio	14.707%	14.329%	13.768%
Total capital ratio	19.081%	18.703%	18.115%

41. Significant related party transactions/balances

(a) Transactions and balances with government-related entities are as follows:

EPF, the ultimate holding body, is a shareholder with control over the holding company, MBSB, with direct shareholdings of 65.39% as at 31 December 2020 (2019: 64.48%). EPF is also a government-linked entity. EPF and entities directly controlled by and under the significant influence of EPF are collectively referred to as government-related entities to the Bank Group and the Bank.

All the transactions entered into by the Bank Group and the Bank with government-related entities are conducted in the ordinary course of the Bank Group and the Bank's business on terms comparable to those with other entities that are not government-related.

(i) Individually significant transactions and balances with EPF are as follows:

	Bank Group		Bank	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Expenses				
Profit expense paid on Sukuk to EPF	57,283	56,966	57,283	56,966
Profit expense paid on fixed deposits to EPF	35,018	71,235	35,018	71,235
Profit expense paid on time deposit to EPF	7		7	
Rental paid	50	249	50	249
Balances				
Sukuk MBSB-SC Murabahah	1,077,654	1,178,793	1,077,654	1,178,793
Accrued profit on Sukuk due to EPF	7,483	7,983	7,483	7,983
Fixed deposits from EPF	1,300,000	1,800,000	1,300,000	1,800,000
Accrued profit on fixed deposits due to EPF	1,618	47,071	1,618	47,071
Time deposits by EPF	14,089	-	14,089	-
Accrued profit on fixed deposits due to EPF	7	-	7	-

41. Significant related party transactions/balances (cont'd.)

(a) Transactions and balances with government-related entities are as follows: (cont'd.)

(ii) Individually significant transactions and balances with the RHB Banking Group of companies, comprising RHB Bank Berhad and RHB Islamic Bank Berhad, being companies in which EPF has significant influence over, are as follows:

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Income/(Expense)				
Profit income from deposit placements	1	1	-	-
Profit expense to depositors	(2,501)	(2,419)	(2,501)	(2,419)
Balances				
Cash and short-term funds	84,863	71,412	80,698	69,155
Deposits and placements with banks and other financial institutions	32	32	-	-

(iii) Collectively, but not individually, significant transactions and balances:

The Bank Group and the Bank have balances with other government-related entities including but not limited to provision of financing and advances, deposit placements and borrowings.

The aggregate amount of the Bank Group and the Bank's significant transactions and balances with other government-related entities other than the RHB Banking Group of companies are as disclosed below:

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Income/(Expense)				
Profit income from financing	18,379	20,253	18,379	20,253
Profit expense to depositors	(3,398)	(5,579)	(3,398)	(5,579)
Balances				
Financing to customers	81,943	303,627	81,943	303,627
Deposits from customers	210,879	191,076	210,879	191,076

41. Significant related party transactions/balances (cont'd.)

(b) Transactions and balances with immediate holding company, a subsidiary and related entities of the Bank are as follows:

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Immediate holding company				
Income/(Expense)				
Inter-company recharges	13,890	37,220	13,890	37,220
Rental paid	(3,796)	(3,796)	(3,796)	(3,796)
Balance				
Amount due from holding company	-	78,416	-	78,416
Amount due to holding company	(162,993)	-	(162,993)	-
Subsidiary				
Income/(Expense)				
Profit income from Sukuk Commodity Murabahah			79,360	93,096
Profit income from amount due from subsidiary			2,760	2,360
Inter-company recharges			1,836	1,639
Profit expense to subsidiary			(147,852)	(156,571)
Balances				
Sukuk Commodity Murabahah			2,317,054	2,618,491
Amount due from subsidiary			53,618	41,691
Amount due to subsidiary			2,156,258	2,274,992
Related companies				
Income/(Expenses)				
Profit income from financing	31,832	44,937	31,832	44,937
Inter-company recharges	2,754	4,095	2,754	4,095
Other expenses	(6,164)	(2,844)	(6,164)	(2,844)
Profit expense to depositors	(4,949)	-	(4,949)	-
Rental paid	(657)	(878)	(657)	(878)
Balances				
Gross financing to related companies	571,042	661,555	571,042	661,555
Amount due (to)/from related companies	(5,903)	33,668	(5,903)	33,668
Deposits from customers	185,642	139,859	185,642	139,859

The Directors are of the opinion that all the transactions and balances above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

41. Significant related party transactions/balances (cont'd.)

(c) The remuneration of Directors and other members of key management is as follows:

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Short-term employee benefits	16,502	17,236
Pension costs: EPF	2,204	2,257
	18,706	19,493

Included in the total key management personnel remuneration are:

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Chief Executive Officer's remuneration comprising salary, bonus, allowances and other emoluments, including benefits-in-kind (Note 35)	4,010	4,974

(d) Transactions and balances with Directors, shareholders and key management:

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Expense		
Profit expense incurred on savings and deposits	51	81
Balance		
Amount due to in respect of savings and deposits	3,144	2,787

42. Credit exposures arising from transactions with connected parties

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Outstanding credit exposures with connected parties	1,291,162	1,561,078
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	3.44%	3.93%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0.36%	0.69%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks, which are effective on 1 January 2008.

43. COVID-19 specific disclosures

Exposures to COVID-19 impacted sectors

Bank Group and Bank	Financing and advances	
	On-balance sheet (net of impairment)	
	2020	**2019**
	RM'000	**RM'000**
Airline/aviation, construction, oil and gas, retail and wholesale/trading, hotels and tourism, property development, food and beverage services/restaurants	3,711,865	3,152,146

43. COVID-19 specific disclosures (cont'd.)

COVID-19 customer relief and support measures

Bank Group and Bank	Retail customers as at 31 December 2020				Non-retail customers as at 31 December 2020	
	Personal	Property	Auto	Total	Total	Grand Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total 6-month automatic payment moratorium granted	18,747,866	5,150,057	101,460	23,999,383	3,661,812	27,661,195
Total repayment assistances,rescheduling and restructuring ("R&R")	21,195	39,620	262	61,077	39,729	100,806
Grand Total	18,769,061	5,189,677	101,722	24,060,460	3,701,541	27,762,001
Of Which:						
Resumed repayments	18,197,330	4,176,262	67,293	22,440,885	2,803,026	25,243,911
Extended and repaying as per revised schedules	180,678	599,341	11,042	791,061	657,058	1,448,119
Missed payments	391,053	414,074	23,387	828,514	241,457	1,069,971
As a percentage of total:						
Resumed repayments	97.0%	80.5%	66.1%	93.3%	75.7%	90.9%
Extended and repaying as per revised schedules	0.9%	11.5%	10.9%	3.3%	17.8%	5.2%
Missed payments	2.1%	8.0%	23.0%	3.4%	6.5%	3.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

43. COVID-19 specific disclosures (cont'd.)

Overlays and adjustments for expected credit loss amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of expected credit loss ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2020.

These overlays were taken to reflect the latest outlook and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

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

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

These overlays remain outside the core MFRS 9 process and amounts to approximately 8% of total ECL as at 31 December 2020.

44. Financial risk management

The Bank Group and the Bank have exposures to one or more of the following risks:

(i) Credit risk

Arising from the possibility of losses due to an obligor or, market counterparty or issuer of securities or other instruments held, having failed to perform its contractual obligations to the Bank Group and the Bank;

(ii) Market risk

Arising from fluctuations in the market value of the trading or investment exposure arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, commodities prices and their associated volatility;

(iii) Liquidity risk

Arising from the Bank Group and the Bank's ability to efficiently meet their present and future funding needs or regulatory obligations, when they come due, which may adversely affect their daily operations and incur unacceptable losses;

(iv) Operational risk

Arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Profit rate/rate of return risk in the banking book

Current and potential risk to the Bank Group and the Bank's earning and economic value arising from movement in the profit rates/rate of return;

(vi) Capital risk

Arising from the failure to meet the minimum regulatory and internal requirements; and

44. Financial risk management (cont'd.)

The Bank Group and the Bank have exposures to one or more of the following risks (cont'd):

(vii) Shariah non-compliance risk

Arising from possible failure to comply with the Shariah requirements as determined by Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM") and Securities Commission ("SC"), the Shariah Advisory Committee and other Shariah regulatory authorities.

(a) Financial risk management objectives and policies

Risk management forms an integral part of the Bank Group and the Bank's activities and remains an important feature in all their business, operations, delivery channels and decision-making processes. The extent to which the Bank Group and the Bank are able to identify, assess, monitor, manage and report each of the various types of risk is critical to their strength, soundness and profitability. The Bank Group and the Bank's risk management function is independent of their operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to endorsement by the Risk Management Division and submitted to the Board Audit Committee (“BAC”), Board Risk Management and Compliance Committee ("BRMCC") and/or Board of Directors ("the Board") for approvals.

In essence, the objectives of the Bank Group and the Bank's risk management activities are to:

(i) Identify and monitor the various risk exposures and risk requirements;

(ii) Ensure risk-taking activities are consistent with the approved policies and the aggregated risk positions are within the risk appetite as approved by the Board; and

(iii) Help create shareholder value through proper allocation of risk and the facilitation of independent risk assessments of new business and products.

(b) Risk Management Framework

The Bank Group and the Bank employ an Enterprise-wide Risk Management Framework to manage their risks effectively. The framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Bank Group and the Bank which is implemented through a number of committees established by the Board. This framework provides the Board and the management with a tool to anticipate and manage both existing and potential risks, taking into consideration of dynamic risk profiles as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

Key features of the Risk Management Framework include:

(i) Governance and organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Risk Management Framework. The Board is ultimately responsible for the Bank Group and the Bank’s strategic directions, which is supported by the risk appetite and Risk Management Frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Bank Group and the Bank’s Risk Management Framework is effectively maintained.

(ii) Internal Capital Adequacy Assessment Process ("ICAAP")

The Bank Group and the Bank’s ICAAP Framework ensures that all material risks are identified, measured and reported; and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital under existing and stressed conditions. For non-measurable risks, relevant framework and control mechanisms are implemented to mitigate and manage the same.

44. Financial risk management (cont'd.)

(b) Risk Management Framework (cont'd.)

(iii) Risk appetite

It is defined as the amount and types of risk that the Bank Group and the Bank are able and willing to accept in pursuit of its strategic and business objectives. The development of the risk appetite is integrated into the annual strategic planning process and is adaptable to changing business and market conditions. As the risk appetite is dynamic, the Board sets the risk appetite based on the business and financial targets, while incorporating macroeconomic and global outlook. The Board also considers the actual and targeted risk profile of the Bank Group and the Bank proposed by senior management and business units when setting the risk appetite. The risk appetite is also being reviewed annually or as and when required.

(iv) Risk Management Process

- Business planning: Risk Management Division ("RMD") is an element of the business planning process, which encompasses setting frameworks for risk appetite, risk structure and new product or new business activities.

- Risk identification: Risks are systematically identified through the robust application of the Bank Group and the Bank’s Risk Management Framework, policies and procedures.

- Measure and assess: Risks are measured and aggregated using the group wide methodologies across each of the risk types, including stress testing.

- Manage and control: Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.

- Monitor and report: Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Bank Group and the Bank’s risk appetite.

(v) Risk Management Infrastructure

- Risk policies, procedures and methodologies: Well-defined risk policies by risk type provide the principles by which the Bank Group and the Bank manage its risks. Procedures provide guidance for day-to-day risk-taking activities. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policies.

- People: Attracting the right talent and skills are the key to ensuring a well-functioning Risk Management Framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Bank Group and the Bank as well as the economic and regulatory environment.

- Technology and data: Appropriate technology and sound data management are enablers to support risk management activities.

(vi) Risk Culture

The Bank Group and the Bank embrace risk management as an integral part of its culture and decision-making processes. The Bank Group and the Bank's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of a risk-taking activity. There is clear accountability of risk ownership across the Bank Group and the Bank. Guided by the said principle, the Bank Group and the Bank have launched a Risk Awareness Culture which comprises training, awareness campaigns and roadshows within the Bank Group and the Bank to promote a healthy risk culture. A strong risk culture minimises the Bank Group and the Bank’s exposure to financial and non-financial risks including reputational impact, over time.

44. Financial risk management (cont'd.)

(b) Risk Management Framework (cont'd.)

(vi) Risk Culture (cont'd.)

In addition, the Bank Group and the Bank have implemented the Regional Compliance and Risk Officers (“RCRO”) and Designated Compliance and Risk Officers (“DCORO”) to cultivate proactive risk and compliance management and to establish a robust risk culture. The DCOROs are appointed at the respective branches, business and functional units across the Bank Group and the Bank to provide real time advisory on risk and compliance matters.

(c) Risk organisation

At the apex of the Bank Group and the Bank's risk management structure is the Board of Directors ("the Board"), which comprises Non-Executive Directors. In line with best practices, the Board determines the risk policy objectives for the Bank Group and the Bank, and assumes responsibility for the supervision of risk management.

The day-to-day responsibility for risk management and control is delegated to the BRMCC which undertakes the oversight function for overall risk limits and ensures that the Bank Group and the Bank are within risk appetites as established by the Board. Other than the BRMCC, the Board is also supported by specialised and supervisory committees, the details of which are as follows:

(i) Board Investment and Credit Committee ("BICC"): The BICC assists the Board to consider and if deem fit to affirm or veto, all financing and investment applications, additional financing or investment, and/or request for changes to existing financing/investment accounts within the Committee’s discretionary authority. The BICC also considers and if deem fit to affirm or veto on waivers of penalty, profit or principal amount, rescheduling/restructuring of accounts and/or request for changes to existing non-performing financing/investment accounts within the Committee’s discretionary authority.

(ii) Asset and Liability Committee ("ALCO"): The ALCO is responsible for the Bank Group and the Bank's liquidity management by focusing on the maturity gap, liquidity position, financing portfolio concentration, deposits composition and depositors’ concentration. The ALCO also manages the profit rate exposures and profit margin of the Bank Group and the Bank by reviewing the lending rates, cost of funds, profit margin and the repricing gaps.

(iii) Management Investment and Credit Committee ("MICC"): The MICC deliberates and recommends to the Board or relevant Board Committees for Corporate Financing, Retail Financing and Investment accounts, and decides whether to proceed with the preparation of the Board/BICC paper based on completed credit assessment reports. The MICC also deliberates and recommends any appeal on variations to the terms and conditions as earlier approved by the Board or Board Committees and also deliberates and approves the submission of the relevant corporate rehabilitation papers for the Board or Board Committees.

(iv) Management Committee ("MANCO"): The MANCO deliberates the implementation of the Enterprise-wide Risk Management Framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommends policy changes to the Board.

The Bank Group and the Bank’s risk management approach is based on the ‘Three Lines of Defence’ concept.

1st line of defence - the risk owner or risk-taking unit i.e. business or support unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day to day management of operational risk.

44. Financial risk management (cont'd.)

(c) Risk organisation (cont'd.)

2nd line of defence - RMD is responsible for establishing and maintaining the Risk Management Framework, developing various risk management tools to facilitate the management of operational risk, monitoring the effectiveness of risk management, assessing operational risk issues from the risk owner and escalating the issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, RMD is also responsible to promote risk awareness across the Bank Group and the Bank.

Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programme as well as conducting training that promotes awareness creation.

3rd line of defence - Internal Audit Division provides independent assurance to the Board and senior management on the effectiveness of the risk management process.

(d) Risk reporting and monitoring

The Bank Group and the Bank's credit portfolios are monitored through early alert reporting to ensure credit deterioration is promptly detected and mitigated through the implementation of risk remediation strategies. All business units undertake regular and comprehensive analysis of their credit portfolios and report to the relevant committees and are overseen by RMD. RMD provides independent reporting to the business units and the Board to ensure independence in relation to the prompt identification and communication of emerging credit issues of the Bank Group and the Bank to the Board.

(e) Credit risk mitigation

All credit facilities are granted on the credit standing of respective borrowers, source of repayment, debt servicing ability and the collateral provided. The valuation of the collateral is conducted periodically. The main types of collateral taken by the Bank Group and the Bank are marketable securities, real estate, inventory and receivables. Personal guarantees are also taken as a part of the collateral to secure the moral commitment from the principal shareholders and directors of the borrowers. Corporate guarantees are often obtained when the borrower’s credit worthiness is insufficient to justify the granting of credit facilities.

(f) Concentration risk

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank Group and the Bank monitor their portfolios to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and safeguard against unacceptable risk concentrations. RMD also applies single customer counterparty limits to protect against unacceptably large exposures to single risk. RMD conducts analysis and reports concentration risk to the Board on a quarterly basis.

44. Financial risk management (cont'd.)

44.1 Credit risk

Credit risk is the risk of loss to the Bank Group and the Bank due to the deterioration in credit worthiness of their borrowers and, consequently, their ability to discharge their contractual obligations to the Bank Group and the Bank. Credit risk remains the most significant risk to which the Bank Group and the Bank are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Bank Group and the Bank's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The primary objective of the Bank Group and the Bank's credit platform is to enhance the efficiency and effectiveness of the credit oversight and credit approval processes for all retail and corporate financing. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to RMD for independent assessment. Credit exposures are evaluated by RMD and are monitored against approved limits on a periodic basis on a portfolio and individual basis.

(i) Financial instruments by category

The tables below provide an analysis of financial instruments categorised as follows:

(a) Amortised cost ("AC")
(b) Fair value through profit or loss ("FVTPL")
(c) Fair value through other comprehensive income ("FVOCI")

2020	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
Bank Group				
Financial assets				
Cash and short-term funds	731,160	731,160	-	-
Deposits and placements with banks and other financial institutions	781,682	781,682	-	-
Derivative financial assets	1,724	-	-	1,724
Financial investments	10,680,374	488,102	10,192,272	-
Financing and advances	32,863,504	32,863,504	-	-
Statutory deposits with Bank Negara Malaysia	620,000	620,000	-	-
Other receivables ^	497,212	497,212	-	
	46,175,656	35,981,660	10,192,272	1,724
Financial liabilities				
Deposits from customers	24,353,435	24,353,435	-	-
Deposits and placements of banks and other financial institutions	9,529,305	9,529,305	-	-
Derivative financial liabilities	1,614	-	-	1,614
Other payables #	627,412	627,412	-	-
Lease liabilities	15,193	15,193	-	-
Recourse obligation on financing sold	2,262,531	2,262,531	-	-
Sukuk - MBSB SC Murabahah	1,366,563	1,366,563	-	-
Sukuk Wakalah	1,293,335	1,293,335	-	-
	39,449,388	39,447,774	-	1,614

^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(i) Financial instruments by category (cont'd.)

2020	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
Bank				
Financial assets				
Cash and short-term funds	726,996	726,996	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-
Derivative financial assets	1,724	-	-	1,724
Financial investments	10,680,374	488,102	10,192,272	-
Financing and advances	32,863,504	32,863,504	-	-
Sukuk Commodity Murabahah	2,317,054	2,317,054	-	-
Statutory deposits with Bank Negara Malaysia	620,000	620,000	-	-
Other receivables ^	547,049	547,049	-	-
	47,756,701	37,562,705	10,192,272	1,724
Financial liabilities				
Deposits from customers	24,353,435	24,353,435	-	-
Deposits and placements of banks and other financial institutions	9,529,305	9,529,305	-	-
Derivative financial liabilities	1,614	-	-	1,614
Other payables #	2,783,486	2,783,486	-	-
Lease liabilities	15,193	15,193	-	-
Recourse obligation on financing sold	2,262,531	2,262,531	-	-
Sukuk - MBSB SC Murabahah	1,366,563	1,366,563	-	-
Sukuk Wakalah	1,293,335	1,293,335	-	-
	41,605,462	41,603,848	-	1,614

^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(i) Financial instruments by category (cont'd.)

2019	Carrying amount RM'000	Amortised cost RM'000	FVOCI RM'000	FVTPL RM'000
Bank Group				
Financial assets				
Cash and short-term funds	1,829,715	1,829,715	-	-
Deposits and placements with banks and other financial institutions	873,515	873,515	-	-
Derivative financial assets	4,239	-	-	4,239
Financial investments	11,189,349	494,705	10,694,644	-
Financing and advances	32,807,317	32,807,317	-	-
Statutory deposits with Bank Negara Malaysia	1,090,000	1,090,000	-	-
Other receivables ^	537,889	537,889	-	
	48,332,024	37,633,141	10,694,644	4,239
Financial liabilities				
Deposits from customers	25,271,951	25,271,951	-	-
Deposits and placements of banks and other financial institutions	10,621,769	10,621,769	-	-
Derivative financial liabilities	1	-	-	1
Other payables #	466,646	466,646	-	-
Lease liabilities	17,130	17,130	-	-
Recourse obligation on financing sold	2,481,251	2,481,251	-	-
Sukuk - MBSB SC Murabahah	1,664,973	1,664,973	-	-
Sukuk Wakalah	1,293,075	1,293,075	-	-
	41,816,796	41,816,795	-	1
Bank				
Financial assets				
Cash and short-term funds	1,827,458	1,827,458	-	-
Deposits and placements with banks and other financial institutions	-	-	-	-
Derivative financial assets	4,239	-	-	4,239
Financial investments	11,189,349	494,705	10,694,644	-
Financing and advances	32,807,317	32,807,317	-	-
Sukuk Commodity Murabahah	2,618,491	2,618,491	-	-
Statutory deposits with Bank Negara Malaysia	1,090,000	1,090,000	-	-
Other receivables ^	576,520	576,520	-	-
	50,113,374	39,414,491	10,694,644	4,239
Financial liabilities				
Deposits from customers	25,271,951	25,271,951	-	-
Deposits and placements of banks and other financial institutions	10,621,769	10,621,769	-	-
Derivative financial liabilities	1	-	-	1
Other payables #	2,741,639	2,741,639	-	-
Lease liabilities	17,130	17,130	-	-
Recourse obligation on financing sold	2,481,251	2,481,251	-	-
Sukuk - MBSB SC Murabahah	1,664,973	1,664,973	-	-
Sukuk Wakalah	1,293,075	1,293,075	-	-
	44,091,789	44,091,788	-	1

^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.
# Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Net gains and losses arising from financial instruments

	Bank Group 2020 RM'000	Bank Group 2019 RM'000	Bank 2020 RM'000	Bank 2019 RM'000
Net gains arising on:				
Financial instruments measured at amortised cost:				
- Income derived from financing and advances	2,258,641	2,287,757	2,258,641	2,287,757
- Income derived from financial investments at amortised cost	19,588	25,479	19,588	25,479
- Income derived from money at call and deposits with bank and other financial institutions	50,900	121,872	25,886	91,251
- Income derived from profit on Sukuk Commodity Murabahah	-	-	79,360	93,096
- Income derived from others	31,832	44,938	34,593	47,298
- Reversal of impairment on commitments and contingencies	20,187	28,704	20,187	28,704
- Reversal of impairment on other financial assets	12,296	-	12,296	-
Financial instruments measured at FVOCI:				
- Income derived from financial investments at FVOCI	391,915	322,145	391,915	322,145
- Gain from sale of financial investments	246,782	58,592	246,782	58,592
- Reversal of impairment on financial investments at FVOCI	11	-	11	-
Financial instruments measured at FVTPL:				
- Income derived from financial investments at FVTPL	190	273	190	273
- Gain from sale of financial investments	2,817	1,424	2,817	1,424
	3,035,159	2,891,184	3,092,266	2,956,019
Net losses on:				
Financial instruments measured at amortised cost:				
- Impairment on financing and advances	(385,270)	(163,555)	(385,270)	(163,555)
- Impairment on financial investments at amortised cost	(439)	(146)	(439)	(146)
- Impairment on other financial assets	-	(21,028)	-	(21,028)
- Modification of cash flows on financing and advances	(504,676)	-	(504,676)	-
- Income attributable to depositors	(1,077,896)	(1,428,408)	(1,077,896)	(1,428,408)
- Income attributable to securitisation	(101,676)	(93,821)	(101,676)	(93,821)
- Income attributable to sukuk	(147,016)	(95,312)	(147,016)	(95,312)
- Income attributable to others	-	-	(147,852)	(156,571)

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(ii) Net gains and losses arising from financial instruments (cont'd.)

	Bank Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Net losses on (cont'd.):				
Financial instruments measured at FVOCI:				
- Impairment on financial investments at FVOCI	-	(18)	-	(18)
	(2,216,973)	(1,802,288)	(2,364,825)	(1,958,859)
Net gains arising from financial instruments	818,186	1,088,896	727,441	997,160

(iii) Maximum exposure to credit risk

The following analysis represents the Bank Group and the Bank's maximum exposure to credit risk from on-balance sheet financial assets and off-balance sheet commitments and contingencies, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank Group and the Bank would have to pay if the obligations of the instruments issued are being called upon. For credit commitments, the maximum exposures to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Bank Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Credit exposure for on-balance sheet financial assets				
Cash and short-term funds	731,160	1,829,715	726,996	1,827,458
Deposits and placements with banks and other financial institutions	781,682	873,515	-	-
Derivative financial assets	1,724	4,239	1,724	4,239
Financial investments at FVOCI	10,192,272	10,694,644	10,192,272	10,694,644
Financial investments at amortised cost	488,102	494,705	488,102	494,705
Financing and advances	32,863,504	32,807,317	32,863,504	32,807,317
Sukuk Commodity Murabahah	-	-	2,317,054	2,618,491
Statutory deposits with Bank Negara Malaysia	620,000	1,090,000	620,000	1,090,000
Other receivables *	497,212	537,889	547,049	576,520
	46,175,656	48,332,024	47,756,701	50,113,374

* Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iii) Maximum exposure to credit risk (cont'd.)

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Credit exposure for off-balance sheet items		
Direct credit substitutes	61,797	175,335
Trade-related contingencies	93,426	93,805
Short-term self-liquidating trade-related contingencies	107,698	83,691
Irrevocable commitments	2,183,518	4,487,978
	2,446,439	4,840,809

(iv) Credit quality

(a) Financing and advances

Financing and advances are summarised as follows:

2020	Bank Group and Bank			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Neither past due nor impaired				
Corporate financing				
Excellent	573	-	-	573
Good	2,033,957	192,991	-	2,226,948
Average	3,812,752	778,555	-	4,591,307
Below Average	135,071	201,557	-	336,628
Poor	6,800	139,532	-	146,332
Unrated	-	-	-	-
Retail financing	22,721,990	2,029,118	-	24,751,108
Total neither past due nor impaired	28,711,143	3,341,753	-	32,052,896
Past due but not impaired				
Corporate financing				
Good	-	18,219	-	18,219
Average	-	150,819	-	150,819
Retail financing	-	1,033,116	-	1,033,116
Total past due but not impaired	-	1,202,154	-	1,202,154
Impaired	-	-	987,231	987,231
Gross financing and advances	28,711,143	4,543,907	987,231	34,242,281
Less: ECL	(365,538)	(587,652)	(425,587)	(1,378,777)
Net financing and advances	28,345,605	3,956,255	561,644	32,863,504

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

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

Financing and advances are summarised as follows:

2019	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Neither past due nor impaired				
Corporate financing				
Excellent	712	-	-	712
Good	3,038,429	148,410	-	3,186,839
Average	3,717,795	794,863	-	4,512,658
Below Average	171,898	123,787	-	295,685
Poor	858	139,816	-	140,674
Retail financing	22,135,595	1,731,402	-	23,866,997
Total neither past due nor impaired	29,065,287	2,938,278	-	32,003,565
Past due but not impaired				
Corporate financing				
Good	-	10,116	-	10,116
Average	-	60,770	-	60,770
Retail financing	-	1,097,545	-	1,097,545
Total past due but not impaired	-	1,168,431	-	1,168,431
Impaired	-	-	818,025	818,025
Gross financing and advances	29,065,287	4,106,709	818,025	33,990,021
Less: ECL	(401,290)	(368,934)	(412,480)	(1,182,704)
Net financing and advances	28,663,997	3,737,775	405,545	32,807,317

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

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

2020	**Bank Group and Bank**			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Financing commitments				
Corporate financing				
Good	527,592	5,156	-	532,748
Average	699,157	302,090	-	1,001,247
Below Average	2,368	9,916	-	12,284
Poor	10,000	7,500	6,525	24,025
Retail financing	586,109	24,490	2,615	613,214
Gross financing commitments	1,825,226	349,152	9,140	2,183,518
Less: ECL	(17,158)	(11,738)	(2,749)	(31,645)
Net financing commitments	1,808,068	337,414	6,391	2,151,873

	Bank Group and Bank			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Financial guarantees				
Corporate financing				
Excellent	-	-	-	-
Good	69,508	-	-	69,508
Average	84,522	41,808	-	126,330
Below Average	4,731	4,400	-	9,131
Poor	17,724	3,472	36,756	57,952
Gross financing guarantees	176,485	49,680	36,756	262,921
Less: ECL	(1,720)	(1,536)	(9,542)	(12,798)
Net financing guarantees	174,765	48,144	27,214	250,123

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

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

2019	Bank Group and Bank			
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Financing commitments				
Corporate financing				
Good	984,400	25,672	-	1,010,072
Average	2,103,913	672,167	-	2,776,080
Below Average	255,943	-	-	255,943
Poor	-	20	5,337	5,357
Retail financing	417,925	17,467	5,134	440,526
Gross financing commitments	3,762,181	715,326	10,471	4,487,978
Less: ECL	(41,468)	(15,052)	(3,313)	(59,833)
Net financing commitments	3,720,713	700,274	7,158	4,428,145
Financial guarantees				
Corporate financing				
Good	57,042	-	-	57,042
Average	141,273	104,327	-	245,600
Below Average	9,841	-	-	9,841
Poor	4	37	40,307	40,348
Gross financing guarantees	208,160	104,364	40,307	352,831
Less: ECL	(2,477)	(2,750)	(179)	(5,406)
Net financing guarantees	205,683	101,614	40,128	347,425

Internal ratings is defined as follows:

Risk Levels	Description
Excellent	Superior capability for payment of financial commitments with little susceptibility to adverse effects to changes in circumstances and economic conditions.
Good	Strong capacity to meet financial commitments and are less susceptible to adverse effects to changes in circumstances and economic conditions.
Average	Moderate capacity to meet financial commitments and may be susceptible to adverse changes in circumstances and economic conditions.
Below Average	Weak in terms of overall credit risk, with some apparent risk of default. May face problems in meeting commitments in the long term.
Poor	Poor credit quality and high risk of default.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

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

Past due but not impaired

Past due but not impaired financial assets are financing and receivables where the customer has failed to make a principal or interest payment when contractually due, and includes financing and advances which are not past due or have no overdraft for a period of less than three months.

	Bank Group and Bank			
	2020		2019	
	RM'000	% to Gross Financing	RM'000	% to Gross Financing
By aging				
Months-in-arrears 1	898,350	2.62%	847,482	2.49%
Months-in-arrears 2	303,805	0.89%	320,949	0.94%
	1,202,155	3.51%	1,168,431	3.43%

Impaired

This refers to financing and advances for which exposures are considered impaired based on the Bank Group and Bank's policies.

	Bank Group and Bank	
	2020	2019
Impaired financing	RM'000	RM'000
Individually assessed of which:		
Months-in-arrears 0	15	14,021
Months-in-arrears 2	9,066	-
Months-in-arrears 3 and above	294,324	180,219
Collectively assessed	683,826	623,785
	987,231	818,025

Impaired financing of which are rescheduled and restructured financing:

	Bank Group and Bank	
	2020	2019
	RM'000	RM'000
Retail	60,119	40,860
Corporate	64,061	24,440
	124,180	65,300

Rescheduled or restructured financing are financing where the original contractual terms have been modified due to deterioration in the customers' financial positions and the Bank Group and the Bank have made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to non-credit impaired.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(b) Other financial assets

Credit quality of other financial assets is as follows. The ratings are based on available ratings by external credit agencies.

Bank Group

Neither past due nor impaired

2020	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds				
AAA	637,894	-	-	637,894
AA and below	34,704	-	-	34,704
Unrated	58,562	-	-	58,562
	731,160	-	-	731,160
Deposits and placements with banks and other financial institutions				
AAA	781,650	-	-	781,650
AA and below	32	-	-	32
	781,682	-	-	781,682
Debt investments				
AAA	955,534	-	-	955,534
AA and below	133,999	-	-	133,999
Unrated *	9,391,275	199,566	-	9,590,841
	10,480,808	199,566	-	10,680,374
Other financial assets				
Unrated	58,167	-	439,045	497,212
	58,167	-	439,045	497,212

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM9,102,739,000 (2019: RM9,584,857,000)

2019	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds				
AAA	1,732,413	-	-	1,732,413
AA and below	12,269	-	-	12,269
Unrated	85,033	-	-	85,033
	1,829,715	-	-	1,829,715
Deposits and placements with banks and other financial institutions				
AAA	873,483	-	-	873,483
AA and below	32	-	-	32
	873,515	-	-	873,515

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

Bank Group (cont'd.)

Neither past due nor impaired (cont'd)

2019	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Debt investments				
AAA	975,286	-	-	975,286
AA and below	134,501	-	-	134,501
Unrated *	10,079,562	-	-	10,079,562
	11,189,349	-	-	11,189,349
Other financial assets				
Unrated	148,305	-	389,584	537,889
	148,305	-	389,584	537,889

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM9,102,739,000 (2019: RM9,584,857,000)

Bank

Neither past due nor impaired

2020	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds				
AAA	637,894	-	-	637,894
AA and below	30,540	-	-	30,540
Unrated	58,562	-	-	58,562
	726,996	-	-	726,996
Debt investments				
AAA	955,534	-	-	955,534
AA and below	133,999	-	-	133,999
Unrated *	9,391,275	199,566	-	9,590,841
	10,480,808	199,566	-	10,680,374
Other financial assets				
Unrated	108,004	-	439,045	547,049
	108,004	-	439,045	547,049

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM9,102,739,000 (2019: RM9,584,857,000)

2019	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Total RM'000**
Cash and short-term funds				
AAA	1,732,413	-	-	1,732,413
AA and below	10,012	-	-	10,012
Unrated	85,033	-	-	85,033
	1,827,458	-	-	1,827,458

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

Bank (cont'd)

Neither past due nor impaired (cont'd)

2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debt investments				
AAA	975,286	-	-	975,286
AA and below	134,501	-	-	134,501
Unrated *	10,079,562	-	-	10,079,562
	11,189,349	-	-	11,189,349
Other financial assets				
Unrated	186,936	-	389,584	576,520
	186,936	-	389,584	576,520

* Unrated debt investments for Bank Group and Bank include government-guaranteed securities of RM9,102,739,000 (2019: RM9,584,857,000)

Credit rating mapping table for other financial assets

The credit mapping table below provides information to users of financial statements in understanding the Bank Group and the Bank's risk management practices and evaluating the nature of risks arising from financial instruments. The Bank Group and the Bank's internal rating scale and mapping of external ratings are set out below:

Ratings for disclosures in the financial statements	RAM RATINGS	MARC	MOODY'S
AAA	AAA	AAA	Aaa
AA and below	BBB3 to AA1	AA+	Baa3 to Aa1

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Concentration of credit risk

Bank Group 2020	Cash and short-term funds and deposits and placements with financial institutions RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Financing and advances RM'000	Other receivables* RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Financial guarantees RM'000	Commitments and contingencies^ RM'000
Government and central banks	618,119	-	6,906,158	-	-	-	620,000	8,144,277	-	-
Household sectors	-	-	-	-	25,031,119	-	-	25,031,119	-	612,675
Agriculture	-	-	-	-	102,604	-	-	102,604	-	26,278
Mining and quarrying	-	-	34,916	-	167,516	-	-	202,432	32,583	20,486
Manufacturing	-	-	30,674	-	448,799	-	-	479,473	11,396	141,962
Electricity, gas and water	-	-	561,636	20,317	167,788	-	-	749,741	-	9,222
Construction	-	-	768,988	-	3,278,227	440,869	-	4,488,084	116,182	988,766
Wholesale & retail trade and restaurants & hotels	-	-	-	-	583,969	-	-	583,969	48,152	174,998
Transport, storage and communication	-	-	99,625	-	221,459	-	-	321,084	50,239	65,608
Finance, insurance and business services	894,723	-	1,790,254	467,785	2,745,458	53,618	-	5,951,838	4,369	142,447
Education, health and others	-	-	-	-	85,577	-	-	85,577	-	1,076
Others	-	1,724	21	-	30,988	2,725	-	35,458	-	-
	1,512,842	1,724	10,192,272	488,102	32,863,504	497,212	620,000	46,175,656	262,921	2,183,518

* Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.
^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Concentration of credit risk (cont'd.)

Bank 2020	Cash and short-term funds and deposits and placements with financial institutions RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Financing and advances RM'000	Sukuk Commodity Murabahah RM'000	Other receivables* RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Financial guarantees RM'000	Commitments and contingencies^ RM'000
Government and central banks	618,119	-	6,906,158	-	-	-	-	620,000	8,144,277	-	-
Household sectors	-	-	-	-	25,039,238	-	-	-	25,039,238	-	612,675
Agriculture	-	-	-	-	94,484	-	-	-	94,484	-	26,278
Mining and quarrying	-	-	34,916	-	167,516	-	-	-	202,432	32,583	20,486
Manufacturing	-	-	30,674	-	451,810	-	-	-	482,484	11,396	141,962
Electricity, gas and water	-	-	561,636	20,317	164,778	-	-	-	746,731	-	9,222
Construction	-	-	768,988	-	3,278,227	-	440,869	-	4,488,084	116,182	988,765
Wholesale & retail trade and restaurants & hotels	-	-	-	-	583,969	-	-	-	583,969	48,152	174,998
Transport, storage and communication	-	-	99,625	-	221,458	-	-	-	321,083	50,239	65,608
Finance, insurance and business services	108,877	-	1,790,254	467,785	2,745,459	2,317,054	53,618	-	7,483,047	4,369	142,448
Education, health and others	-	-	-	-	85,577	-	-	-	85,577	-	1,076
Others	-	1,724	21	-	30,988	-	52,562	-	85,295	-	-
	726,996	1,724	10,192,272	488,102	32,863,504	2,317,054	547,049	620,000	47,756,701	262,921	2,183,518

* Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Concentration of credit risk (cont'd.)

Bank Group 2019	Cash and short-term funds and deposits and placements with financial institutions RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Financing and advances RM'000	Other receivables* RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Financial guarantees RM'000	Commitments and contingencies^ RM'000
Government and central banks	1,671,955	-	7,530,627	-	-	-	1,090,000	10,292,582	-	-
Household sectors	-	-	-	-	24,437,796	-	-	24,437,796	-	439,246
Agriculture	-	-	-	-	127,631	-	-	127,631	-	81,031
Mining and quarrying	-	-	-	-	76,950	-	-	76,950	295	4,262
Manufacturing	-	-	10,177	-	268,284	-	-	278,461	1,689	144,153
Electricity, gas and water	-	-	474,031	20,333	255,886	-	-	750,250	11,698	129,551
Construction	-	-	536,808	-	4,210,359	389,559	-	5,136,726	244,376	2,497,781
Wholesale & retail trade and restaurants & hotels	-	-	-	-	456,116	25	-	456,141	2,778	280,611
Transport, storage and communication	-	-	240,065	-	196,877	-	-	436,942	2,004	124,595
Finance, insurance and business services	1,031,274	-	1,902,936	263,003	2,706,927	120,107	-	6,024,247	6,300	837,770
Education, health and others	-	-	-	211,369	70,491	-	-	281,860	-	32,669
Others	2	4,239	-	-	-	28,198	-	32,439	-	-
	2,703,231	4,239	10,694,644	494,705	32,807,317	537,889	1,090,000	48,332,025	269,140	4,571,669

* Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(iv) Concentration of credit risk (cont'd.)

Bank 2019	Cash and short-term funds and deposits and placements with financial institutions RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Financing and advances RM'000	Sukuk Commodity Murabahah RM'000	Other receivables* RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On-balance sheet total RM'000	Financial guarantees RM'000	Commitments and contingencies^ RM'000
Government and central banks	1,671,955	-	7,530,627	-	-	-	-	1,090,000	10,292,582	-	-
Household sectors	-	-	-	-	24,437,796	-	-	-	24,437,796	-	439,246
Agriculture	-	-	-	-	127,631	-	-	-	127,631	-	81,031
Mining and quarrying	-	-	-	-	76,950	-	-	-	76,950	295	4,262
Manufacturing	-	-	10,177	-	268,284	-	-	-	278,461	1,689	144,153
Electricity, gas and water	-	-	474,031	20,333	255,886	-	-	-	750,250	11,698	129,551
Construction	-	-	536,808	-	4,210,359	-	389,559	-	5,136,726	244,376	2,497,781
Wholesale & retail trade and restaurants & hotels	-	-	-	-	456,116	-	25	-	456,141	2,778	280,611
Transport, storage and communication	-	-	240,065	-	196,877	-	-	-	436,942	2,004	124,595
Finance, insurance and business services	155,502	-	1,902,936	263,003	2,706,927	2,618,491	120,107	-	7,766,966	6,300	837,770
Education, health and others	-	-	-	211,369	70,491	-	-	-	281,860	-	32,669
Others	2	4,239	-	-	-	-	66,829	-	71,070	-	-
	1,827,459	4,239	10,694,644	494,705	32,807,317	2,618,491	576,520	1,090,000	50,113,375	269,140	4,571,669

* Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.
^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(v) Collateral and other credit enhancements obtained

The main types of collateral obtained by the Bank Group and the Bank to mitigate credit risk are as follows:

- For property financing - changes over the properties being financed;
- For auto financing - ownership claims over the vehicles being financed; and
- For other financing and advances - changes over business assets such as premises, inventories, trade receivables and/or cash deposits.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for gross financing and advances for the Bank Group and the Bank is 27.00% (2019: 24.96%). The financial effects of collateral held for the remaining financial investments are not significant.

(vi) Key macroeconomic variables

In computing the Excepted Credit Losses ("ECL") of financing and advances, the Bank Group and the Bank incorporate the impact of forward-looking key macroeconomic variables ("MEV") according to the respective portfolio. The Bank Group and the Bank performed statistical analysis based on historical experience and identified the MEV impacting credit risk and ECL for each portfolio. The relationship of the MEV on the components of ECL has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components. Sources of forecasts of the MEV are external research house.

The MEVs incorporated into the ECL calculations are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios. The following table shows the MEVs applied but not limited to by the Bank Group and the Bank in the ECL models.

Macroeconomic Variables ("MEVs")	Base scenario		Best scenario		Worst scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Year 2020						
Household Disposable Income (in Billion)	945.85	1,042.17	951.24	1,075.65	939.33	1,003.22
Private Consumption (in Billion)	879.85	856.53	898.91	875.06	862.85	849.03
Interbank Offered Rate - 3 months ("KLIB3M") (%)	1.77	1.92	1.77	2.15	1.27	1.43
House Price Index ("HPI")	200.13	213.20	203.54	220.43	198.56	202.66
Unemployment Rate (%)	3.17	3.06	3.03	2.92	3.83	3.44
Overnight Policy Rate ("OPR") (%)	1.75	1.91	1.75	2.14	1.25	1.41
Brent Crude Oil Future Prices (USD/barrel)	47.68	62.12	52.70	68.32	38.72	58.82
Consumer Price Index ("CPI")	120.81	130.49	122.58	132.85	120.11	129.10
Exchange Rate (MYR/USD)	4.09	4.03	3.77	3.97	4.26	4.04
Total Unemployed (in Million)	0.51	0.51	0.49	0.48	0.62	0.57

44. Financial risk management (cont'd.)

44.1 Credit risk (cont'd.)

(vi) Key macroeconomic variables (cont'd.)

	Base scenario		Best scenario		Worst scenario	
Macroeconomic Variables ("MEVs")	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**
Year 2019						
Household Disposable Income (in Billion)	915.88	989.54	921.12	1,020.27	906.47	950.69
Private Consumption (in Billion)	906.50	1,008.34	925.51	1,024.26	885.13	1,001.45
Interbank Offered Rate - 3 months ("KLIB3M") (%)	2.96	3.41	2.97	3.66	2.63	2.48
House Price Index ("HPI")	205.81	223.48	208.36	230.00	203.61	213.91
Unemployment Rate (%)	3.11	3.10	3.01	3.02	3.61	3.53
Overnight Policy Rate ("OPR") (%)	3.00	3.61	3.10	3.80	2.50	2.67
Brent Crude Oil Future Prices (USD/barrel)	64.13	66.56	79.28	81.17	60.80	63.56
Consumer Price Index ("CPI")	124.16	129.56	125.51	131.89	123.63	128.23
Exchange Rate (MYR/USD)	4.24	4.24	3.92	4.16	4.40	4.27
Total Unemployed (in Million)	0.50	0.51	0.48	0.50	0.61	0.57

44.2 Market risk

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instruments caused by movements in market variables such as profit rates and foreign exchange rates that will eventually affect the Bank Group and the Bank's profitability and capital preservation.

The Bank Group and the Bank's market risk management includes the monitoring of fluctuations in net profit income or investment value due to changes in relevant market risk factors. The ALCO monitors the exposure on a monthly basis through reports produced by the Treasury Division. The RMD, via its presence in the ALCO, provides advisory services and input on the Bank Group and the Bank's market risk management.

(i) Profit rate risk

Rate of Return in the Banking Book

Rate of Return risk in the Banking Book ("RORBB") refers to the risk of the Bank Group and the Bank suffering deterioration in financial position (economic value loss) or financial losses due to the impact of changes in market profit rates over time on banking book exposure arising from activities such as deposits taking, financing and investment.

The Bank Group and the Bank use various tools including repricing gap reports and stress tests to measure their RORBB exposure. The impact on earnings and economic value are considered at all times in measuring the RORBB.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

Rate of Return in the Banking Book (cont'd.)

The table below shows the Bank Group and the Bank's profit rate sensitivity to a 100 basis points parallel shift as at reporting date.

	2020		2019	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
Bank Group				
Impact on Earnings-at-Risk ("EaR")	64,931	(64,931)	60,058	(60,058)
Impact on Economic Value Loss ("EVE")	(1,423,598)	1,423,598	(1,299,454)	1,299,454

	2020		2019	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
Bank				
Impact on Earnings-at-Risk ("EaR")	68,090	(68,090)	63,999	(63,999)
Impact on Economic Value Loss ("EVE")	(1,494,479)	1,494,479	(1,388,051)	1,388,051

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

The tables below summarise the Bank Group and the Bank's exposure to profit rate risk. The tables indicate average profit rates at the reporting date and periods in which the financial instruments mature, whichever is earlier. Assets classified as non-profit sensitive are either non-profit bearing or, if profit bearing, the cashflows arising from these assets are not expected to change significantly if profit rates change.

Bank Group	<--- Non-trading book ---> Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2020								
Financial Assets								
Cash and short-term funds	606,029	-	-	-	-	125,131	731,160	2.31
Deposits and placements with financial institutions	32	-	781,650	-	-	-	781,682	1.92
Derivative financial assets	1,724	-	-	-	-	-	1,724	
Financial investments at FVOCI	5,106	80,923	276,566	3,268,004	6,561,673	-	10,192,272	3.64
Financial investments at amortised cost	-	-	-	30,315	457,787	-	488,102	4.97
Financing and advances								
- non-impaired	437,488	643,313	428,831	3,119,285	28,626,133	(953,190)	32,301,860	6.52
- impaired, net of loss allowances*	-	-	-	-	-	561,644	561,644	
Other receivables^	-	-	-	-	-	497,212	497,212	
Statutory deposits with Bank Negara Malaysia**	-	-	-	110,000	510,000	-	620,000	4.25
Total financial assets	1,050,379	724,236	1,487,047	6,527,604	36,155,593	230,797	46,175,656	

* This is arrived after deducting impairment allowances from gross impaired financing.

^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities (“MGS”) and Malaysian Government Investment Issues (“MGII”) as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

Bank Group	<---------- Non-trading book ---------- Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2020								
Financial Liabilities								
Deposits from customers	4,989,066	5,993,254	10,832,533	2,325,089	61,097	152,396	24,353,435	2.81
Deposits and placements of banks and other financial institutions	4,791,427	2,053,058	1,805,196	866,743	-	12,881	9,529,305	3.00
Derivative financial liabilities	1,614	-	-	-	-	-	1,614	
Other payables #	-	-	-	-	-	627,412	627,412	
Lease liabilities	13	50	5,460	9,670	-	-	15,193	3.67
Recourse obligation on financing sold	19,030	321,470	60,740	1,861,291	-	-	2,262,531	4.31
Sukuk-MBSB SC Murabahah	-	-	294,388	858,635	213,540	-	1,366,563	5.00
Sukuk Wakalah	-	-	2,018	-	1,291,317	-	1,293,335	5.24
Total financial liabilities	9,801,150	8,367,832	13,000,335	5,921,428	1,565,954	792,689	39,449,388	
Total profit-sensitivity gap	(8,750,771)	(7,643,596)	(11,513,288)	606,176	34,589,639	(561,892)	6,726,268	

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

	<---------- Non-trading book			---------->				
Bank	**Up to 1 months**	**> 1-3 months**	**> 3-12 months**	**> 1-5 years**	**Over 5 years**	**Non-profit sensitive**	**Total**	**Effective profit rate**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
2020								
Financial Assets								
Cash and short-term funds	606,029	-	-	-	-	120,967	726,996	2.31
Derivative financial assets	1,724	-	-	-	-	-	1,724	
Financial investments at FVOCI	5,106	80,923	276,566	3,268,004	6,561,673	-	10,192,272	3.64
Financial investments at amortised cost	-	-	-	30,315	457,787	-	488,102	4.97
Financing and advances								
- non-impaired	437,488	643,313	428,831	3,119,285	28,626,133	(953,190)	32,301,860	6.52
- impaired, net of loss allowances*	-	-	-	-	-	561,644	561,644	
Sukuk Commodity Murabahah	53,538	-	322,926	1,227,424	713,166	-	2,317,054	2.94
Other receivables^	53,618	-	-	-	-	493,431	547,049	5.50
Statutory deposits with Bank Negara Malaysia**	-	-	-	110,000	510,000	-	620,000	4.25
Total financial assets	1,157,503	724,236	1,028,323	7,755,028	36,868,759	222,852	47,756,701	

* This is arrived after deducting impairment allowances from gross impaired financing.

^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

Bank	<---- Non-trading book ---- Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive ---->	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2020								
Financial Liabilities								
Deposits from customers	4,989,066	5,993,254	10,832,533	2,325,089	61,097	152,396	24,353,435	2.81
Deposits and placements of banks and other financial institutions	4,791,427	2,053,058	1,805,196	866,743	-	12,881	9,529,305	3.00
Derivative financial liabilities	1,614	-	-	-	-	-	1,614	
Other payables #	2,156,258	-	-	-	-	627,228	2,783,486	7.10
Lease liabilities	13	50	5,460	9,670	-	-	15,193	3.67
Recourse obligation on financing sold	19,030	321,470	60,740	1,861,291	-	-	2,262,531	4.31
Sukuk-MBSB SC Murabahah	-	-	294,388	858,635	213,540	-	1,366,563	5.00
Sukuk Wakalah	-	-	2,018	-	1,291,317	-	1,293,335	5.24
Total financial liabilities	11,957,408	8,367,832	13,000,335	5,921,428	1,565,954	792,505	41,605,462	
Total profit-sensitivity gap	(10,799,905)	(7,643,596)	(11,972,012)	1,833,600	35,302,805	(569,653)	6,151,239	

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

Bank Group	<----- Non-trading book -----							
	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2019								
Financial Assets								
Cash and short-term funds	1,694,136	-	-	-	-	135,579	1,829,715	3.16
Deposits and placements with financial institutions	32	-	873,483	-	-	-	873,515	3.42
Derivative financial assets	4,239	-	-	-	-	-	4,239	
Financial investments at FVOCI	25,504	131,442	446,837	4,141,654	5,949,207	-	10,694,644	3.86
Financial investments at amortised cost	-	-	-	30,332	464,373	-	494,705	5.59
Financing and advances								
- non-impaired	540,458	452,157	932,384	3,566,224	27,680,773	(770,224)	32,401,772	6.96
- impaired, net of loss allowances*	-	-	-	-	-	405,545	405,545	
Other receivables^	-	-	-	-	-	537,889	537,889	6.75
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,090,000	1,090,000	
Total financial assets	2,264,369	583,599	2,252,704	7,738,210	34,094,353	1,398,789	48,332,024	

* This is arrived after deducting impairment allowances from gross impaired financing.
^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

Bank Group	Up to 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-profit sensitive	Total	Effective profit rate
	<------ Non-trading book ------>							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2019								
Financial Liabilities								
Deposits from customers	5,208,620	5,403,930	11,730,675	2,726,297	104,989	97,440	25,271,951	3.92
Deposits and placements of banks and other financial institutions	2,601,258	3,502,116	3,582,828	924,240	-	11,327	10,621,769	3.91
Derivative financial liabilities	1	-	-	-	-	-	1	
Other payables #	-	-	-	-	-	466,646	466,646	
Lease liabilities	-	-	471	16,659	-	-	17,130	4.33
Recourse obligation on financing sold	10,352	24,668	65,837	2,380,394	-	-	2,481,251	4.49
Sukuk-MBSB SC Murabahah	-	-	294,973	995,000	375,000	-	1,664,973	4.92
Sukuk Wakalah	-	-	2,201	-	1,290,874	-	1,293,075	5.29
Total financial liabilities	7,820,231	8,930,714	15,676,985	7,042,590	1,770,863	575,413	41,816,796	
Total profit-sensitivity gap	(5,555,862)	(8,347,115)	(13,424,281)	695,620	32,323,490	823,376	6,515,228	

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

44. Financial risk management (cont'd.)

44.2 Profit rate risk (cont'd.)

(i) Profit rate risk (cont'd.)

Bank	<----- Non-trading book				----->			
	Up to 1 months	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-profit sensitive	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2019								
Financial Assets								
Cash and short-term funds	1,694,136	-	-	-	-	133,322	1,827,458	3.16
Deposits and placements with financial institutions	-	-	-	-	-	-	-	-
Derivative financial assets	4,239	-	-	-	-	-	4,239	
Financial investments at FVOCI	25,504	131,442	446,837	4,141,654	5,949,207	-	10,694,644	3.86
Financial investments at amortised cost	-	-	-	30,332	464,373	-	494,705	5.59
Financing and advances								
- non-impaired	540,458	452,157	932,384	3,566,224	27,680,772	(770,223)	32,401,772	6.96
- impaired, net of loss allowances*	-	-	-	-	-	405,545	405,545	
Sukuk Commodity Murabahah	-	-	332,344	1,207,220	1,078,927	-	2,618,491	3.13
Other receivables^	41,691	-	-	-	-	534,829	576,520	6.75
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,090,000	1,090,000	
Total financial assets	2,306,028	583,599	1,711,565	8,945,430	35,173,279	1,393,473	50,113,374	

* This is arrived after deducting impairment allowances from gross impaired financing.

^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(i) Profit rate risk (cont'd.)

Bank	<---- Non-trading book ---- Up to 1 months RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000 ---->	Total RM'000	Effective profit rate %
2019								
Financial Liabilities								
Deposits from customers	5,208,620	5,403,930	11,730,675	2,726,297	104,989	97,440	25,271,951	3.92
Deposits and placements of banks and other financial institutions	2,601,258	3,502,116	3,582,828	924,240	-	11,327	10,621,769	3.91
Derivative financial liabilities	1	-	-	-	-	-	1	
Other payables #	2,274,992	-	-	-	-	466,647	2,741,639	7.13
Lease liabilities	0	-	471	16,659	-	0	17,130	4.33
Recourse obligation on financing sold	10,352	24,668	65,837	2,380,394	-	-	2,481,251	4.49
Sukuk-MBSB SC Murabahah	-	-	294,973	995,000	375,000	-	1,664,973	4.92
Sukuk Wakalah	-	-	2,201	-	1,290,874	-	1,293,075	5.29
Total financial liabilities	10,095,223	8,930,714	15,676,985	7,042,590	1,770,863	575,414	44,091,789	
Total profit-sensitivity gap	(7,789,195)	(8,347,115)	(13,965,420)	1,902,840	33,402,416	818,059	6,021,585	

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk

The Bank Group and the Bank are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Bank Group and the Bank take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The Bank Group manages its exposure to foreign exchange currencies at each entity level.

Sensitivity Analysis

The table below shows sensitivity of the Bank Group and the Bank's profit after taxation to movement in foreign exchange rates:

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
+1%	(1,157)	(1,703)
-1%	1,157	1,703

Bank Group 2020	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Assets				
Cash and short-term funds	705,317	10,439	15,404	731,160
Deposits and placements with banks and other financial institutions	781,682	-	-	781,682
Derivative financial assets	1,724	-	-	1,724
Financial investments at fair value through other comprehensive income ("FVOCI")	10,192,272	-	-	10,192,272
Financial investments at amortised cost	488,102	-	-	488,102
Financing and advances	32,303,902	559,602	-	32,863,504
Other receivables	508,125	-	-	508,125
Investment in subsidiary	-	-	-	-
Investment in joint venture	-	-	-	-
Statutory deposits with Bank Negara Malaysia	620,000	-	-	620,000
Investment property	820	-	-	820
Property and equipment	27,882	-	-	27,882
Intangible assets	111,449	-	-	111,449
Right-of-use-assets	14,880	-	-	14,880
Tax recoverable	85,620	-	-	85,620
Total assets	45,841,775	570,041	15,404	46,427,220

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank Group 2020	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Liabilities				
Deposits from customers	23,920,237	432,638	560	24,353,435
Deposits and placements of banks and other financial institutions	9,529,305	-	-	9,529,305
Derivative financial liabilities	1,614	-	-	1,614
Other payables	741,166	-	-	741,166
Lease liabilities	15,193	-	-	15,193
Recourse obligation on financing sold	2,262,531	-	-	2,262,531
Sukuk-MBSB SC Murabahah	1,366,563	-	-	1,366,563
Sukuk Wakalah	1,293,335	-	-	1,293,335
Provision for zakat	4,367	-	-	4,367
Deferred tax liabilities	92,368	-	-	92,368
Total liabilities	39,226,679	432,638	560	39,659,877
Net on-balance sheet financial position	6,615,096	137,403	14,844	6,767,343

Bank 2020	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Assets				
Cash and short-term funds	701,153	10,439	15,404	726,996
Deposits and placements with banks and other financial institutions	-	-	-	-
Derivative financial assets	1,724	-	-	1,724
Financial investments at fair value through other comprehensive income ("FVOCI")	10,192,272	-	-	10,192,272
Financial investments at amortised cost	488,102	-	-	488,102
Financing and advances	32,303,902	559,602	-	32,863,504
Sukuk Commodity Murabahah	2,317,054	-	-	2,317,054
Other receivables	557,861	-	-	557,861
Investment in subsidiary	-	-	-	-
Investment in joint venture	-	-	-	-
Statutory deposits with Bank Negara Malaysia	620,000	-	-	620,000
Investment property	820	-	-	820
Property and equipment	27,882	-	-	27,882
Intangible assets	111,449	-	-	111,449
Right-of-use-assets	14,880	-	-	14,880
Tax recoverable	84,966	-	-	84,966
Total assets	47,422,065	570,041	15,404	48,007,510

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank **2020**	**MYR** **RM'000**	**USD** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Liabilities				
Deposits from customers	23,920,237	432,638	560	24,353,435
Deposits and placements of banks and other financial institutions	9,529,305	-	-	9,529,305
Derivative financial liabilities	1,614	-	-	1,614
Other payables	2,897,220	-	-	2,897,220
Lease liabilities	15,193	-	-	15,193
Recourse obligation on financing sold	2,262,531	-	-	2,262,531
Sukuk-MBSB SC Murabahah	1,366,563	-	-	1,366,563
Sukuk Wakalah	1,293,335	-	-	1,293,335
Provision for zakat	4,367	-	-	4,367
Deferred tax liabilities	92,368	-	-	92,368
Total liabilities	41,382,733	432,638	560	41,815,931
Net on-balance sheet financial position	6,039,332	137,403	14,844	6,191,579

Bank Group **2019**	**MYR** **RM'000**	**USD** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Assets				
Cash and short-term funds	1,820,903	6,554	2,258	1,829,715
Deposits and placements with banks and other financial institutions	873,515	-	-	873,515
Derivative financial assets	4,239	-	-	4,239
Financial investments at fair value through other comprehensive income ("FVOCI")	10,694,644	-	-	10,694,644
Financial investments at amortised cost	494,705	-	-	494,705
Financing and advances	32,444,718	362,599	-	32,807,317
Other receivables	548,207	-	-	548,207
Investment in subsidiary	-	-	-	-
Investment in joint venture	-	-	-	-
Statutory deposits with Bank Negara Malaysia	1,090,000	-	-	1,090,000
Investment property	820	-	-	820
Property and equipment	25,444	-	-	25,444
Intangible assets	115,559	-	-	115,559
Right-of-use-assets	16,821	-	-	16,821
Tax recoverable	65,978	-	-	65,978
Total assets	48,195,553	369,153	2,258	48,566,964

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank Group 2019	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Liabilities				
Deposits from customers	25,136,935	126,161	8,855	25,271,951
Deposits and placements of banks and other financial institutions	10,609,489	12,280	-	10,621,769
Derivative financial liabilities	1	-	-	1
Other payables	571,744	-	-	571,744
Lease liabilities	17,130	-	-	17,130
Recourse obligation on financing sold	2,481,251	-	-	2,481,251
Sukuk-MBSB SC Murabahah	1,664,973	-	-	1,664,973
Sukuk Wakalah	1,293,075	-	-	1,293,075
Provision for zakat	8,192	-	-	8,192
Deferred tax liabilities	94,739	-	-	94,739
Total liabilities	41,877,529	138,441	8,855	42,024,825
Net on-balance sheet financial position	6,318,024	230,712	(6,597)	6,542,139

Bank 2019	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Assets				
Cash and short-term funds	1,818,646	6,554	2,258	1,827,458
Deposits and placements with banks and other financial institutions	-	-	-	-
Derivative financial assets	4,239	-	-	4,239
Financial investments at fair value through other comprehensive income ("FVOCI")	10,694,644	-	-	10,694,644
Financial investments at amortised cost	494,705	-	-	494,705
Financing and advances	32,444,718	362,599	-	32,807,317
Sukuk Commodity Murabahah	2,618,491	-	-	2,618,491
Other receivables	586,724	-	-	586,724
Investment in subsidiary	-	-	-	-
Investment in joint venture	-	-	-	-
Statutory deposits with Bank Negara Malaysia	1,090,000	-	-	1,090,000
Investment property	820	-	-	820
Property and equipment	25,444	-	-	25,444
Intangible assets	115,559	-	-	115,559
Right-of-use-assets	16,821	-	-	16,821
Tax recoverable	66,156	-	-	66,156
Total assets	49,976,967	369,153	2,258	50,348,378

44. Financial risk management (cont'd.)

44.2 Market risk (cont'd.)

(ii) Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

Bank 2019	**MYR RM'000**	**USD RM'000**	**Others RM'000**	**Total RM'000**
Liabilities				
Deposits from customers	25,136,935	126,161	8,855	25,271,951
Deposits and placements of banks and other financial institutions	10,609,489	12,280	-	10,621,769
Derivative financial liabilities	1	-	-	1
Other payables	2,846,531	-	-	2,846,531
Lease liabilities	17,130	-	-	17,130
Recourse obligation on financing sold	2,481,251	-	-	2,481,251
Sukuk-MBSB SC Murabahah	1,664,973	-	-	1,664,973
Sukuk Wakalah	1,293,075	-	-	1,293,075
Provision for zakat	8,192	-	-	8,192
Deferred tax liabilities	94,739	-	-	94,739
Total liabilities	44,152,316	138,441	8,855	44,299,612
Net on-balance sheet financial position	5,824,651	230,712	(6,597)	6,048,766

44.3 Liquidity risk

The Bank Group and the Bank's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Liquidity risk management of the Bank Group and the Bank is governed by established risk tolerance levels as defined in the Bank Group and the Bank's Market Risk Framework. The ALCO would be informed by management action triggers to alert management to potential and emerging liquidity pressures. The Bank Group and the Bank's early warning system and contingency funding plans are in place to alert and enable management to act effectively and efficiently during a liquidity crisis.

The ALCO meets at least once a month to discuss the liquidity risk and funding profile and is chaired by the Chief Executive Officer. The ALCO and Funding Unit, which is responsible for the independent monitoring of the Bank Group and the Bank's liquidity risk profile, works closely with the Treasury Division in the surveillance on market conditions and performs stress testing on liquidity positions.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

The tables below summarise the Bank Group and the Bank's financial assets and financial liabilities based on remaining contractual maturities.

(a) Maturity analysis

Bank Group	Less than 1 year	Over 1 - 5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2020					
Financial Assets					
Cash and short-term funds	606,029	-	-	125,131	731,160
Deposits and placements with banks and other financial institutions	781,682	-	-	-	781,682
Derivative financial assets	1,724	-	-	-	1,724
Financial investments at FVOCI	362,595	3,268,004	6,561,673	-	10,192,272
Financial investments at amortised cost	-	30,315	457,787	-	488,102
Financing and advances *	1,639,604	3,142,712	28,081,188	-	32,863,504
Other receivables^	497,212	-	-	-	497,212
Statutory deposits with Bank Negara Malaysia**	-	110,000	510,000	-	620,000
Total financial assets	3,888,846	6,551,031	35,610,648	125,131	46,175,656

* This is arrived after deducting impairment allowances from gross financing and advances.
^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.
** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group	**Less than 1 year**	**Over 1 - 5 years**	**Over 5 years**	**No specific maturity**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2020					
Financial Liabilities					
Deposits from customers	21,967,249	2,325,089	61,097	-	24,353,435
Deposits and placements of banks and other financial institutions	8,662,562	866,743	-	-	9,529,305
Derivative financial liabilities	1,614	-	-	-	1,614
Other payables #	627,412	-	-	-	627,412
Lease liabilities	5,523	9,670	-	-	15,193
Recourse obligation on financing sold	401,240	1,861,291	-	-	2,262,531
Sukuk-MBSB SC Murabahah	294,388	858,635	213,540	-	1,366,563
Sukuk Wakalah	2,018	-	1,291,317	-	1,293,335
Total financial liabilities	31,962,006	5,921,428	1,565,954	-	39,449,388
Net liquidity gap on Statement of Financial Position	(28,073,160)	629,603	34,044,694	125,131	6,726,268
Commitments and contingencies^	(805,179)	(1,632,952)	(8,308)	-	(2,446,439)
Net liquidity gap	(28,878,339)	(1,003,349)	34,036,386	125,131	4,279,829

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.
^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
2020					
Financial Assets					
Cash and short-term funds	606,029	-	-	120,967	726,996
Derivative financial assets	1,724	-	-	-	1,724
Financial investments at FVOCI	362,595	3,268,004	6,561,673	-	10,192,272
Financial investments at amortised cost	-	30,315	457,787	-	488,102
Financing and advances *	1,639,604	3,142,712	28,081,188	-	32,863,504
Sukuk Commodity Murabahah	376,464	1,227,424	713,166	-	2,317,054
Other receivables^	547,049	-	-	-	547,049
Statutory deposits with Bank Negara Malaysia**	-	110,000	510,000	-	620,000
Total financial assets	3,533,465	7,778,455	36,323,814	120,967	47,756,701

* This is arrived after deducting impairment allowances from gross financing and advances.

^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

** This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities (“MGS”) and Malaysian Government Investment Issues (“MGII”) as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021.

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
2020					
Financial Liabilities					
Deposits from customers	21,967,249	2,325,089	61,097	-	24,353,435
Deposits and placements of banks and other financial institutions	8,662,562	866,743	-	-	9,529,305
Amount due to related companies					-
Derivative financial liabilities	1,614	-	-	-	1,614
Other payables #	2,783,486	-	-	-	2,783,486
Lease liabilities	5,523	9,670	-	-	15,193
Recourse obligation on financing sold	401,240	1,861,291	-	-	2,262,531
Sukuk-MBSB SC Murabahah	294,388	858,635	213,540	-	1,366,563
Sukuk Wakalah	2,018	-	1,291,317	-	1,293,335
Total financial liabilities	34,118,080	5,921,428	1,565,954	-	41,605,462
Net liquidity gap on Statement of Financial Position	(30,584,615)	1,857,027	34,757,860	120,967	6,151,239
Commitments and contingencies^	(805,179)	(1,632,952)	(8,308)	-	(2,446,439)
Net liquidity gap	(31,389,794)	224,075	34,749,552	120,967	3,704,800

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.
^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group	Less than 1 year	Over 1 - 5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Financial Assets					
Cash and short-term funds	1,694,136	-	-	135,579	1,829,715
Deposits and placements with banks and other financial institutions	873,515	-	-	-	873,515
Derivative financial assets	4,239	-	-	-	4,239
Financial investments at FVOCI	603,783	4,141,654	5,949,207	-	10,694,644
Financial investments at amortised cost	-	30,332	464,373	-	494,705
Financing and advances *	1,939,444	3,611,017	27,256,856	-	32,807,317
Other receivables^	537,889	-	-	-	537,889
Statutory deposits with Bank Negara Malaysia	-	-	-	1,090,000	1,090,000
Total financial assets	5,653,006	7,783,003	33,670,436	1,225,579	48,332,024

* This is arrived after deducting impairment allowances from gross financing and advances.
^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank Group	Less than 1 year	Over 1 - 5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Financial Liabilities					
Deposits from customers	22,440,665	2,726,297	104,989	-	25,271,951
Deposits and placements of banks and other financial institutions	9,697,529	924,240	-	-	10,621,769
Amount due to related companies					-
Derivative financial liabilities	1	-	-	-	1
Other payables #	466,646	-	-	-	466,646
Lease liabilities	471	16,659	-	-	17,130
Recourse obligation on financing sold	100,857	2,380,394	-	-	2,481,251
Sukuk-MBSB SC Murabahah	294,973	995,000	375,000	-	1,664,973
Sukuk Wakalah	2,201	-	1,290,874	-	1,293,075
Total financial liabilities	33,003,343	7,042,590	1,770,863	-	41,816,796
Net liquidity gap on Statement of Financial Position	(27,350,337)	740,413	31,899,573	1,225,579	6,515,228
Commitments and contingencies^	(1,587,255)	(3,181,554)	(72,000)	-	(4,840,809)
Net liquidity gap	(28,937,592)	(2,441,141)	31,827,573	1,225,579	1,674,419

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	Less than 1 year	Over 1 - 5 years	Over 5 years	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2019					
Financial Assets					
Cash and short-term funds	1,694,136	-	-	133,322	1,827,458
Derivative financial assets	4,239	-	-	-	4,239
Financial investments at FVOCI	603,783	4,141,654	5,949,207	-	10,694,644
Financial investments at amortised cost	-	30,332	464,373	-	494,705
Financing and advances *	1,939,444	3,611,017	27,256,856	-	32,807,317
Sukuk Commodity Murabahah	332,344	1,207,220	1,078,927	-	2,618,491
Other receivables^	576,520	-	-	-	576,520
Statutory deposits with Bank Negara Malaysia	-	-	-	1,090,000	1,090,000
Total financial assets	5,150,466	8,990,223	34,749,363	1,223,322	50,113,374

* This is arrived after deducting impairment allowances from gross financing and advances.
^ Other receivables exclude prepayments, deposits and deferred expenses as these items are classified as non-financial assets.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

Bank	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
2019					
Financial Liabilities					
Deposits from customers	22,440,665	2,726,297	104,989	-	25,271,951
Deposits and placements of banks and other financial institutions	9,697,529	924,240	-	-	10,621,769
Derivative financial liabilities	1	-	-	-	1
Other payables #	2,741,639	-	-	-	2,741,639
Lease liabilities	471	16,659	-	-	17,130
Recourse obligation on financing sold	100,857	2,380,394	-	-	2,481,251
Sukuk-MBSB SC Murabahah	294,973	995,000	375,000	-	1,664,973
Sukuk Wakalah	2,201	-	1,290,874	-	1,293,075
Total financial liabilities	35,278,336	7,042,590	1,770,863	-	44,091,789
Net liquidity gap on Statement of Financial Position	(30,127,870)	1,947,633	32,978,500	1,223,322	6,021,585
Commitments and contingencies^	(1,587,255)	(3,181,554)	(72,000)	-	(4,840,809)
Net liquidity gap	(31,715,125)	(1,233,921)	32,906,500	1,223,322	1,180,776

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.
^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable of the Bank Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows.

Bank Group	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000
2020				
Financial Liabilities				
Deposits from customers	21,702,824	2,535,436	76,955	24,315,215
Deposits and placements of banks and other financial institutions	8,706,373	952,151	-	9,658,524
Derivative financial liabilities	1,614	-	-	1,614
Other payables #	627,412	-	-	627,412
Lease liabilities	5,617	9,995	-	15,612
Recourse obligation on financing sold	456,744	2,017,026	-	2,473,770
Sukuk-MBSB SC Murabahah	68,761	1,183,076	416,240	1,668,077
Sukuk Wakalah	66,767	268,350	1,635,773	1,970,890
Total financial liabilities	31,636,112	6,966,034	2,128,968	40,731,114
Commitments and contingencies^				
Direct credit substitutes	46,258	15,539	-	61,797
Trade-related contingencies	38,443	54,983	-	93,426
Short-term self-liquidating trade-related contingencies	107,698	-	-	107,698
Irrevocable commitments	612,780	1,562,430	8,308	2,183,518
	805,179	1,632,952	8,308	2,446,439

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

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

Bank	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000
2020				
Financial Liabilities				
Deposits from customers	21,702,824	2,535,436	76,955	24,315,215
Deposits and placements of banks and other financial institutions	8,706,373	952,151	-	9,658,524
Derivative financial liabilities	1,614	-	-	1,614
Other payables #	2,783,486	-	-	2,783,486
Lease liabilities	5,617	9,995	-	15,612
Recourse obligation on financing sold	456,744	2,017,026	-	2,473,770
Sukuk-MBSB SC Murabahah	68,761	1,183,076	416,240	1,668,077
Sukuk Wakalah	66,767	268,350	1,635,773	1,970,890
Total financial liabilities	33,792,186	6,966,034	2,128,968	42,887,188
Commitments and contingencies^				
Direct credit substitutes	46,258	15,539	-	61,797
Trade-related contingencies	38,443	54,983	-	93,426
Short-term self-liquidating trade-related contingencies	107,698	-	-	107,698
Irrevocable commitments	612,780	1,562,430	8,308	2,183,518
	805,179	1,632,952	8,308	2,446,439

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

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

Bank Group	Less than 1 year RM'000	Over 1 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2019				
Financial Liabilities				
Deposits from customers	22,360,750	2,981,791	132,933	25,475,474
Deposits and placements of banks and other financial institutions	9,787,128	1,022,622	-	10,809,750
Derivative financial liabilities	1	-	-	1
Other payables #	466,646	-	-	466,646
Lease liabilities	480	17,378	-	17,858
Recourse obligation on financing sold	205,723	2,617,551	-	2,823,274
Sukuk-MBSB SC Murabahah	380,524	1,183,076	416,240	1,979,840
Sukuk Wakalah	67,317	267,800	1,703,090	2,038,207
Total financial liabilities	33,268,569	8,090,218	2,252,263	43,611,050
Commitments and contingencies^				
Direct credit substitutes	111,252	64,083	-	175,335
Trade-related contingencies	53,960	39,845	-	93,805
Short-term self-liquidating trade-related contingencies	83,691	-	-	83,691
Irrevocable commitments	1,338,351	3,077,627	72,000	4,487,978
	1,587,254	3,181,555	72,000	4,840,809

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.

^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.3 Liquidity risk (cont'd.)

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

Bank	Less than 1 year	Over 1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000
2019				
Financial Liabilities				
Deposits from customers	22,360,750	2,981,791	132,933	25,475,474
Deposits and placements of banks and other financial institutions	9,787,128	1,022,622	-	10,809,750
Derivative financial liabilities	1	-	-	1
Other payables #	2,741,639	-	-	2,741,639
Lease liabilities	480	17,378	-	17,858
Recourse obligation on financing sold	205,723	2,617,551	-	2,823,274
Sukuk-MBSB SC Murabahah	380,524	1,183,076	416,240	1,979,840
Sukuk Wakalah	67,317	267,800	1,703,090	2,038,207
Total financial liabilities	35,543,562	8,090,218	2,252,263	45,886,043
Commitments and contingencies^				
Direct credit substitutes	111,252	64,083	-	175,335
Trade-related contingencies	53,960	39,845	-	93,805
Short-term self-liquidating trade-related contingencies	83,691	-	-	83,691
Irrevocable commitments	1,338,351	3,077,627	72,000	4,487,978
	1,587,254	3,181,555	72,000	4,840,809

Other payables exclude other provisions and accruals as well as deferred income as these items are classified as non-financial liabilities.
^ Commitments and contingencies exclude foreign exchange related contracts.

44. Financial risk management (cont'd.)

44.4 Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah non-compliance risk but excludes strategic and reputational risk. The Bank Group and the Bank recognise and emphasize the importance of operational risk management and manage this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits. The Bank Group and the Bank's governance approach in managing operational risk is premised on the Three Lines of Defense Approach as discussed under Note 44(c).

45. Fair value

The carrying amounts of cash and short-term funds, deposits and placements with financial institutions, other receivables (excluding prepayments and deposits) and other payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

The tables below analyse other financial instruments at fair value.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Bank Group	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2020										
Financial assets										
Derivative financial assets	-	1,724	-	1,724	-	-	-	-	1,724	1,724
Financial investments at FVOCI	-	10,192,272	-	10,192,272	-	-	-	-	10,192,272	10,192,272
Financial investments at amortised cost	-	-	-	-	-	489,078	-	489,078	489,078	488,102
Financing and advances	-	-	-	-	-	-	32,748,990	32,748,990	32,748,990	32,863,504
	-	10,193,996	-	10,193,996	-	489,078	32,748,990	33,238,068	43,432,064	43,545,602
Financial liabilities										
Deposits from customers	-	-	-	-	-	24,488,321	-	24,488,321	24,488,321	24,353,435
Deposits and placements of banks and other financial institutions	-	-	-	-	-	9,456,219	-	9,456,219	9,456,219	9,529,305
Derivative financial liabilities	-	1,614	-	1,614	-	-	-	-	1,614	1,614
Recourse obligation on financing sold	-	-	-	-	-	-	2,271,230	2,271,230	2,271,230	2,262,531
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,453,193	-	1,453,193	1,453,193	1,366,563
Sukuk Wakalah	-	-	-	-	-	1,379,166	-	1,379,166	1,379,166	1,293,335
	-	1,614	-	1,614	-	36,776,899	2,271,230	39,048,129	39,049,743	38,806,783

MBSB BANK BERHAD (200501033981 / 716122-P)
(Incorporated in Malaysia)

45. Fair value (cont'd.)

The tables below analyse other financial instruments at fair value. (cont'd.)

Bank	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	fair value	amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020										
Financial assets										
Derivative financial assets	-	1,724	-	1,724	-	-	-	-	1,724	1,724
Financial investments at FVOCI	-	10,192,272	-	10,192,272	-	-	-	-	10,192,272	10,192,272
Financial investments at amortised cost	-	-	-	-	-	489,078	-	489,078	489,078	488,102
Financing and advances	-	-	-	-	-	-	32,748,990	32,748,990	32,748,990	32,863,504
Sukuk Commodity Murabahah	-	-	-	-	-	-	2,355,008	2,355,008	2,355,008	2,317,054
	-	10,193,996	-	10,193,996	-	489,078	35,103,998	35,593,076	45,787,072	45,862,656
Financial liabilities										
Deposits from customers	-	-	-	-	-	24,488,321	-	24,488,321	24,488,321	24,353,435
Deposits and placements of banks and other financial institutions	-	-	-	-	-	9,456,219	-	9,456,219	9,456,219	9,529,305
Derivative financial liabilities	-	1,614	-	1,614	-	-	-	-	1,614	1,614
Recourse obligation on financing sold	-	-	-	-	-	-	2,271,230	2,271,230	2,271,230	2,262,531
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,453,193	-	1,453,193	1,453,193	1,366,563
Sukuk Wakalah	-	-	-	-	-	1,379,166	-	1,379,166	1,379,166	1,293,335
	-	1,614	-	1,614	-	36,776,899	2,271,230	39,048,129	39,049,743	38,806,783

45. Fair value (cont'd.)

The tables below analyse other financial instruments at fair value. (cont'd.)

Bank Group	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total	Fair value of financial instruments not carried at fair value Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019										
Financial assets										
Derivative financial assets	-	4,239	-	4,239	-	-	-	-	4,239	4,239
Financial investments at FVOCI	-	10,694,644	-	10,694,644	-	-	-	-	10,694,644	10,694,644
Financial investments at amortised cost	-	-	-	-	-	494,165	-	494,165	494,165	494,705
Financing and advances	-	-	-	-	-	-	34,390,379	34,390,379	34,390,379	32,807,317
	-	10,698,883	-	10,698,883	-	494,165	34,390,379	34,884,544	45,583,427	44,000,905
Financial liabilities										
Deposits from customers	-	-	-	-	-	25,421,632	-	25,421,632	25,421,632	25,271,951
Deposits and placements of banks and other financial institutions	-	-	-	-	-	10,716,722	-	10,716,722	10,716,722	10,621,769
Derivative financial liabilities	-	1	-	1	-	-	-	-	1	1
Recourse obligation on financing sold	-	-	-	-	-	-	2,498,652	2,498,652	2,498,652	2,481,251
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,729,374	-	1,729,374	1,729,374	1,664,973
Sukuk Wakalah	-	-	-	-	-	1,300,000	-	1,300,000	1,300,000	1,293,075
	-	1	-	1	-	39,167,728	2,498,652	41,666,380	41,666,381	41,333,020

45. Fair value (cont'd.)

The tables below analyse other financial instruments at fair value. (cont'd.)

Bank	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019										
Financial assets										
Derivative financial assets	-	4,239	-	4,239	-	-	-	-	4,239	4,239
Financial investments at FVOCI	-	10,694,644	-	10,694,644	-	-	-	-	10,694,644	10,694,644
Financial investments at amortised cost	-	-	-	-	-	494,165	-	494,165	494,165	494,705
Financing and advances	-	-	-	-	-	-	34,390,379	34,390,379	34,390,379	32,807,317
Sukuk Commodity Murabahah	-	-	-	-	-	-	2,657,703	2,657,703	2,657,703	2,618,491
	-	10,698,883	-	10,698,883	-	494,165	37,048,082	37,542,247	48,241,130	46,619,396
Financial liabilities										
Deposits from customers	-	-	-	-	-	25,421,632	-	25,421,632	25,421,632	25,271,951
Deposits and placements of banks and other financial institutions	-	-	-	-	-	10,716,722	-	10,716,722	10,716,722	10,621,769
Derivative financial liabilities	-	1	-	1	-	-	-	-	1	1
Recourse obligation on financing sold	-	-	-	-	-	-	2,498,652	2,498,652	2,498,652	2,481,251
Sukuk-MBSB SC Murabahah	-	-	-	-	-	1,729,374	-	1,729,374	1,729,374	1,664,973
Sukuk Wakalah	-	-	-	-	-	1,300,000	-	1,300,000	1,300,000	1,293,075
	-	1	-	1	-	39,167,728	2,498,652	41,666,380	41,666,381	41,333,020

45. Fair value (cont'd.)

The fair values of the financial instruments not measured at fair value are based on the following methodologies and assumptions:

Financial investments at FVOCI and financial investments at amortised cost

The estimated fair value is generally based on the quoted and observable market prices. Where there is no ready market in certain securities, the Bank Group and the Bank establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financing and advances

The fair value of fixed rate financing with remaining maturities of less than one year and variable rate financing are estimated to approximate the carrying amount. For fixed rate financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at prevailing rates offered for similar financing to new borrowers with similar credit profiles as at the reporting date.

The fair value of impaired fixed and variable rate financing is represented by their carrying amount, which are net of impairment allowances.

Sukuk Commodity Murabahah

The fair value is estimated by discounting expected future cash flows at the effective profit rate of similar instruments.

Deposits from customers and deposits and placements of banks and other financial institutions

Deposits, placements and obligations which mature or reprice after one year are grouped by residual maturity. Fair value is estimated using discounted cash flows, applying either market rates, where applicable, or current rates offered for deposits of similar remaining maturities. The fair values of deposits repayable on demand and deposits and placements with remaining maturities of less than one year are approximated by their carrying amounts due to the relatively short maturity of these instruments.

Recourse obligation on financing sold

The fair values for recourse obligations on financing sold to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

Sukuk-MBSB SC Murabahah and Sukuk Wakalah

The fair value of Sukuk-MBSB SC Murabahah and Sukuk Wakalah are based on market prices.

46. Sources and uses of charity funds

	Bank Group and Bank	
	2020	**2019**
	RM'000	**RM'000**
Sources		
Gharamah from late payment charges		
Balance as at 1 January	1,462	1,379
Collection during the year	82	83
	1,544	1,462
Application		
Fund contribution to charitable organisation during the year	(11)	-
Balance as at 31 December	1,533	1,462

As a deterrent mechanism against cases of default by customers in discharging their financial obligation arising from Islamic contracts, the imposition of late payment charges by Islamic banking institutions under the concept of gharamah (fine or penalty) is allowable. Gharamah is not allowed to be recognised as income, and it must be channeled to specified charitable bodies.

From ongoing Shariah reviews and audits conducted by the Bank Group and the Bank's operational processes, it was noted that there is no Shariah non-compliant income recorded during the financial year under review (2018: nil).

47. Significant event

Transfer of assets from the holding company, MBSB

During the year, MBSB has progressively transferred the following assets to the Bank:

		2020 Bank RM'000
Mortgage converted to Islamic property financing		
i)	Converted on 18 January 2020	23,798
ii)	Converted on 22 February 2020	19,672
iii)	Converted on 18 April 2020	134,229
iv)	Converted on 16 May 2020	21,005
v)	Converted on 25 July 2020	23,593
vi)	Converted on 19 December 2020	3,916
Conventional corporate loans converted to Islamic corporate financing		
i)	Converted on 3 September 2020	9,692