

LAYING THE FOUNDATION FOR FINANCIAL GROWTH

160-343

Laying the Foundation for Financial Growth

- 160 Directors' Report
- 167 Statement by Directors
- 167 Statutory Declaration
- 168 Statements of Financial Position
- 171 Statements of Profit or Loss
- 172 Statements of Comprehensive Income
- 173 Statements of Changes in Equity
- 176 Statements of Cash Flows
- 180 Notes to the Financial Statements
- 338 Independent Auditors' Report

344-366

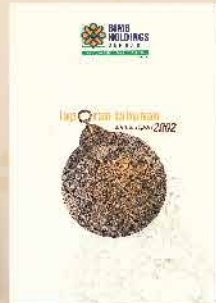
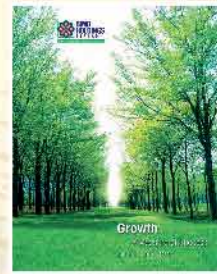
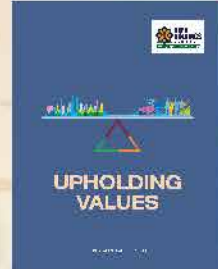
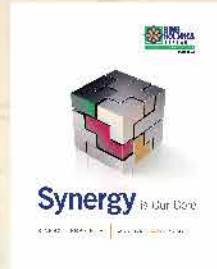
Additional Information & Disclosure Summary

- 344 Share & Warrant Holdings Statistics
- 350 Properties Owned by BHB Group
- 357 Regional Group Network
- 358 FTSE4Good Bursa Malaysia ("F4GBM")
- 363 Global Reporting Initiative ("GRI") G4

367-372

24TH AGM Information

- 367 Notice of 24th Annual General Meeting
- 372 Statement Accompanying Notice of the
24th Annual General Meeting
Proxy Form



DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged as an investment holding company with business transacted in accordance with Islamic principles, whilst the principal activities of the subsidiaries are as stated in Note 14 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Lembaga Tabung Haji, a hajj pilgrims' fund statutory body established in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 14 to the financial statements.

FINANCIAL RESULTS

Discontinued operations

Profit for the year attributable to:

- Owner of the Company
- Non-controlling interests

	Group RM'000	Company RM'000
	720,247	268,728
	147,654	–
	<u>867,901</u>	<u>268,728</u>

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

	RM'000
i) In respect of the financial year ended 31 December 2019 as reported in the Directors' Report of that year:	
Dividend of 16.00 sen per ordinary share, declared on 29 November 2019, ex-date on 23 December 2019, and paid on 21 January 2020	282,285
ii) In respect of the financial year ended 31 December 2020:	
Dividend of 12.60 sen per ordinary share, declared on 30 November 2020, ex-date on 21 December 2020, and paid on 18 January 2021	225,876
	<u>508,161</u>

The Directors do not recommend final dividend to be paid for the financial year under review.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review except as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up capital from 1,764,282,714 to 1,792,663,814 via the issuance of 28,381,100 new ordinary shares at a consideration of RM3.68 each arising from the Dividend Reinvestment Plan.

No warrants were converted during the financial year ended 31 December 2020 (2019: Nil).

There were no other changes in the issued and paid-up capital of the Company during the financial year.

There were no 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 Company during the financial year. As at 31 December 2020, 426,715,078 warrants remained unexercised.

IMPAIRED FINANCING

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of impairment provisions for impaired financing, and have satisfied themselves that all known bad financing have been written off and adequate impairment provisions made for impaired financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad financing, or the amount of impairment provisions for impaired financing in the financial statements of the Group and of the Company, inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Company have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company to be misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company to be misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year other than those incurred in the ordinary course of the business.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S POLICY DOCUMENT ON FINANCIAL REPORTING AND GUIDELINES

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia ("BNM")'s expectations on financial reporting have been complied with, including those as set out in the Financial Reporting for Islamic Banking Institutions and Circular on the Application of MFRS.

DISCONTINUED OPERATIONS

As disclosed in Note 56 and Note 57 to the financial statements, BIMB Holdings Berhad ("BHB" or "the Company") had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad ("Bank Islam"), the distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad by way of distribution-in-specie to its shareholders, and subsequently the delisting of the Company and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. BHB is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

Consequently, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are as disclosed in Note 57 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events during the financial year are as disclosed in Note 58 to the financial statements.

DIRECTORS

Directors of the Company who served during the financial year until the date of this report are:

Tan Sri Ambrin bin Buang (Chairman)
Mohd Tarmidzi bin Ahmad Nordin
Noraini binti Che Dan
Datuk Nik Mohd Hasyudeen bin Yusoff
Zahari @ Mohd Zin bin Idris (appointed on 03.02.2020)
Tan Sri Ismail bin Adam (retired on 03.01.2020)

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

DIRECTORS OF THE SUBSIDIARIES

Directors of the subsidiaries who served during the financial year until the date of this report are:

Name of Company	Directors
Bank Islam Malaysia Berhad	Tan Sri Dr. Ismail Hj. Bakar (appointed on 01.08.2020) (Chairman) Dato' Sri Khazali Ahmad Zahari @ Mohd Zin bin Idris Mohamed Ridza bin Mohamed Abdulla Datuk Nik Mohd Hasyudeen bin Yusoff Noraini binti Che Dan Azizan bin Ahmad Mohd Yuzaidi bin Mohd Yusoff Mashitah binti Haji Osman (appointed on 01.10.2020) Datuk Zamani bin Abdul Ghani (Chairman) (resigned on 01.03.2020)
<i>Subsidiaries of Bank Islam Malaysia Berhad</i>	
BIMB Investment Management Berhad	Mohamed Ridza bin Mohamed Abdulla (Chairman) Najmuddin bin Mohd Lutfi Dato' Ghazali bin Awang Dr. Mohd Hatta bin Dagap Datin Maznah binti Mahbob Azizan bin Abd Aziz
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Maria binti Mat Said (Chairman) Mohammad Jamali bin Haron
Farihan Corporation Sdn. Bhd.	Zaharin bin Mohd Ali (Chairman) Maria binti Mat Said
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary: BIMB Offshore Company Management Services Sdn. Bhd.	Zahari @ Mohd Zin bin Idris (Chairman) Maria binti Mat Said
Syarikat Takaful Malaysia Keluarga Berhad	Dato' Mohammed bin Haji Che Hussein (appointed on 01.04.2020) (Chairman) Mohd Azman bin Sulaiman Suraya binti Hassan Dato' Mustaffa bin Ahmad (appointed on 13.08.2020) Mohamad Salihuddin bin Ahmad (appointed on 13.08.2020) Datuk Bazlan bin Osman (appointed on 18.08.2020) Datin Sri Azlin binti Arshad (retired on 13.08.2020) Mahadzir bin Azizan (retired on 15.08.2020) Dato' Othman bin Abdullah (deceased on 04.04.2020) Damanhuri bin Mahmud (ceased office on 01.07.2020)

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

DIRECTORS OF THE SUBSIDIARIES (CONTINUED)

Directors of the subsidiaries who served during the financial year until the date of this report are: (continued)

Name of Company	Directors
<i>Subsidiaries of Syarikat Takaful Malaysia Keluarga Berhad</i>	
Syarikat Takaful Malaysia Am Berhad	Ismail bin Mahbob (appointed on 15.08.2020) (Chairman) Dato' Che Pee bin Samsudin Datin Dr. Nik Sarina binti Lugman Hashim Abdul Rahman bin Talib Mohamad Salihuddin bin Ahmad Mahadzir bin Azizan (retired on 15.08.2020)
P.T. Syarikat Takaful Indonesia	Dato' Sri Mohamed Hassan bin Kamil Ibrahim Ali Shoukry
<i>Subsidiaries of P.T. Syarikat Takaful Indonesia</i>	
P.T. Asuransi Takaful Keluarga	Dato' Sri Mohamed Hassan bin Kamil Tri Djoko Santoso Imran Nahar Mahadzir bin Azizan (retired on 30.11.2020)
BIMB Securities (Holdings) Sdn. Bhd.	Zahari @ Mohd Zin bin Idris (Chairman) Adi Asri bin Baharom
<i>Subsidiary of BIMB Securities (Holdings) Sdn. Bhd.</i>	
BIMB Securities Sdn. Bhd.	Zahari @ Mohd Zin bin Idris (Chairman) Mustapha bin Hamat Dr. Mohd Hatta bin Dagap Adi Asri bin Baharom Kamaruzaman bin Abdullah (appointed on 16.01.2020) Rashid bin Ismail (resigned on 16.01.2020)
<i>Subsidiaries of BIMB Securities Sdn. Bhd.</i>	
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Kamaruzaman bin Abdullah Aida Sharini binti Abdul Wahab Roziyah binti Jais Rashid bin Ismail (resigned on 16.01.2020)
BIMSEC Nominees (Asing) Sdn. Bhd.	Kamaruzaman bin Abdullah Aida Sharini binti Abdul Wahab Roziyah binti Jais Rashid bin Ismail (resigned on 16.01.2020)
Syarikat Al-Ijarah Sdn. Bhd.	Salih Amaran bin Jamiaan (Chairman) Khairuddin bin Idris Mohamad Azlan bin Mohamad Alam (resigned on 23.11.2020)

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year, except as stated below:

	Number of Ordinary Shares			
	As at 03.02.2020	Acquired	Sold	As at 31.12.2020
Zahari @ Mohd Zin bin Idris	–	25,000	25,000	–

DIRECTORS' REMUNERATION

The details of the Directors' remuneration are set out in Note 41 to the financial statements.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in Note 41 to financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a Company 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 Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY AND INSURANCE COSTS

During the financial year, BIMB Holdings Berhad has maintained a Directors' and Officers' Liability Takaful for the Directors and Officers of the Company and its subsidiaries (excluding Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia")) up to an aggregate limit of RM50 million, against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding the office. Takaful Malaysia maintained a takaful coverage of up to an aggregate limit of RM35 million for their Directors and Officers. The Directors and Officers of the Group and the Company shall not be indemnified by such takaful for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The total amount of premium paid by the Group and the Company was RM272,390 and RM106,120 (2019: RM270,006 and RM104,890) respectively.

2021 BUSINESS PLAN AND OUTLOOK BUSINESS PLAN, STRATEGY AND FUTURE OUTLOOK

ISLAMIC BANKING AND TAKAFUL

COVID-19 is once again taking its toll on economic activities as the third wave prompts new restrictions, but the vaccine news is a game-changer for the outlook over the next two years. BNM opines that the Gross Domestic Product ("GDP") will rebound amidst a low unemployment rate but with an improved Consumer Price Index ("CPI"). Such a positive outlook for 2021 will be backed by a favourable global growth projection and a revival in domestic economic activities. In turn, this will bode well for financial market performance.

The pandemic should be seen as a window of opportunity to grow sustainably. In this trying time, our initiatives further reflect our commitment towards financial inclusivity, which ensures development for all, as we seek to support economic recovery and safeguard the rakyat's livelihood. Therefore, as part of its business plan 2021, Bank Islam Malaysia Berhad ("the Bank" or "Bank Islam") is embarking on a 5-year roadmap to deliver the promise of technology, redefine growth and work in new ways to address the unprecedented challenges. By 2025, the Bank aspires to be a champion in offering Shariah environmental, social and governance ("Shariah-ESG") total financial solution with leadership in digital banking and social finance. The plan mobilises six strategic objectives premised on the Bank's role as Value-Based Intermediary ("VBI") namely Sustainable Prosperity, Value-based Culture, Community Empowerment, Customer Centricity, Real Economy and Digitalisation. The objectives will be supported by key initiatives, directly focused efforts towards the end goal in 2025 such as to expand portfolio relating to real economy & green economy; implement integrated wealth management business model; accelerate digitalisation; promote social finance, and enforce cost management initiatives.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2021 BUSINESS PLAN AND OUTLOOK BUSINESS PLAN, STRATEGY AND FUTURE OUTLOOK (CONTINUED)

ISLAMIC BANKING AND TAKAFUL (CONTINUED)

Against a strong backdrop of credit metrics with the recent reaffirmation of AA3/Stable/P1 by RAM Ratings, BIMB Holdings is proceeding with its proposed group restructuring exercise that will unlock significant value for shareholders, as well as transferring its listing status to its subsidiary, Bank Islam. The exercise will see the Bank becoming the only full-fledged Islamic financial institution listed in Malaysia, having greater access to tap the capital markets for an exciting future expansion.

Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia") has been taking necessary and thoughtful steps to strengthen its business resilience and adjust its operating models in managing the business in a very different market and dynamic operating landscape. Takaful Malaysia remains vigilant and cautious in managing operating costs, business growth, and portfolio risk.

As a pioneer and early adopter of online distribution and new digital technologies supporting our distribution channels, we can reduce some sales and operational challenges faced during the COVID-19 pandemic period. Our digital and technologic capabilities have enabled us to maintain uninterrupted business services to all our sales intermediaries, bank partners, and customers. Notably, we have a wide range of online takaful products that customers can easily access our affordable online takaful solutions at their fingertips especially during the COVID-19 outbreak. We have increased our social media presence to cross-sell our online products, especially targeting the customers who may not have access to intermediaries for face-to-face selling.

In sustaining its market-leading position and to support business growth and customer-centricity, Takaful Malaysia will continue with its innovative strategies via the implementation of its digital strategy, online solutions and digital ecosystem, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and brand awareness initiatives.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept reappointment as auditors.

The details of the auditors' remuneration are set out in Note 39 to the financial statements.

This report was approved by the Board of Directors on 14 April 2021.

Signed on behalf of the Board of Directors:



TAN SRI AMBRIN BIN BUANG
DIRECTOR



NORAINI BINTI CHE DAN
DIRECTOR

Kuala Lumpur
14 April 2021

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, **Tan Sri Ambrin bin Buang** and **Noraini binti Che Dan**, two of the Directors of BIMB Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 168 to 337 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and financial performance of the Group and of the Company for the financial year ended 31 December 2020 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 14 April 2021.


TAN SRI AMBRIN BIN BUANG
DIRECTOR


NORAINI BINTI CHE DAN
DIRECTOR

Kuala Lumpur
14 April 2021

STATUTORY DECLARATION



PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, **Azizan bin Abd Aziz**, the officer primarily responsible for the financial management of BIMB Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 168 to 337 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.


AZIZAN BIN ABD AZIZ

Subscribed and solemnly declared by the above named Azizan bin Abd Aziz, MIA CA (32474), at Kuala Lumpur on 14 April 2021.

Before me:



5B, JALAN RAKYAT
(JALAN TRAVERS)
BRICKFIELDS
50470 KUALA LUMPUR

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS HELD FOR SALE					
Cash and short-term funds	3	5,829,142	3,334,771	317,588	2,105
Deposits and placements with banks and other financial institutions	4	2,033,321	2,581,288	–	410,228
Financial assets at fair value through profit or loss	5	1,993,825	1,494,495	7,555	7,117
Derivative financial assets	6	61,665	33,326	–	–
Financial assets at fair value through other comprehensive income	7	18,395,952	16,946,884	–	–
Financing, advances and others	8	54,670,635	49,472,522	–	–
Other financial assets at amortised cost	9	686,461	581,203	60,369	103,468
Retakaful assets	10	978,202	755,796	–	–
Statutory deposits with Bank Negara Malaysia	11	192,425	1,170,136	–	–
Current tax assets		177,417	97,964	92	85
Deferred tax assets	12	32,981	69,728	10	10
Right-of-use assets	13	229,189	250,443	–	–
Investments in subsidiaries	14	–	–	5,571,524	5,304,273
Property and equipment	15	427,027	395,859	381	411
Investment properties	16	10,472	10,590	–	–
Intangible assets	17	191,187	68,488	–	–
Total assets held for sale		85,909,901	77,263,493	5,957,519	5,827,697

Note:

As disclosed in Note 56 and Note 57 to the financial statements, BIMB Holdings Berhad (“BHB” or “the Company”) had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad (“Bank Islam”), the distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad by way of distribution-in-specie to its shareholders, and subsequently the delisting of the Company and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. BHB is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

Consequentially, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE					
Deposits from customers	18	50,540,345	46,752,714	–	–
Investment accounts of customers	19	12,022,112	9,797,543	–	–
Derivative financial liabilities	6	105,872	36,746	–	–
Bills and acceptances payable		29,621	49,084	–	–
Recourse obligations on financing sold to Cagamas	20	1,501,187	1,501,187	–	–
Lease liabilities	13	314,186	328,062	–	–
Other liabilities	21	2,002,120	1,689,741	228,171	284,567
Takaful contract liabilities	22	9,156,608	8,197,156	–	–
Expense reserves	23	316,728	311,700	–	–
Sukuk liabilities	24	2,633,111	2,139,666	919,947	881,093
Deferred tax liabilities	12	74,445	–	–	–
Zakat and taxation		60,488	41,751	70	–
Total liabilities associated with assets held for sale		78,756,823	70,845,350	1,148,188	1,165,660

Note:

As disclosed in Note 56 and Note 57 to the financial statements, BIMB Holdings Berhad (“BHB” or “the Company”) had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad (“Bank Islam”), the distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad by way of distribution-in-specie to its shareholders, and subsequently the delisting of the Company and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. BHB is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
EQUITY					
Share capital	25	4,412,261	4,307,819	4,412,261	4,307,819
Reserves	26	2,092,075	1,586,613	397,070	354,218
Equity attributable to owners of the Company		6,504,336	5,894,432	4,809,331	4,662,037
Non-controlling interests		648,742	523,711	–	–
Total equity		7,153,078	6,418,143	4,809,331	4,662,037
Total liabilities associated with assets held for sale and equity		85,909,901	77,263,493	5,957,519	5,827,697
Restricted investment accounts (“RA”) managed by the Bank Islam					
	19	11,915	35,062	–	–
Total assets including RA		85,921,816	77,298,555	5,957,519	5,827,697
Commitments and contingencies	55	20,189,496	17,414,181	–	–
Net assets per share attributable to owners of the Company (RM)		3.63	3.34	2.68	2.64

Note:

As disclosed in Note 56 and Note 57 to the financial statements, BIMB Holdings Berhad (“BHB” or “the Company”) had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad (“Bank Islam”), the distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad by way of distribution-in-specie to its shareholders, and subsequently the delisting of the Company and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. BHB is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

Consequently, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

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

STATEMENT OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
DISCONTINUED OPERATIONS					
Income derived from investment of depositors' funds	29	2,504,013	2,757,704	–	–
Income derived from investment account funds	30	503,978	384,930	–	–
Income derived from investment of shareholders' funds	31	452,546	479,828	363,522	421,411
Loss on modification of financial assets		(136,380)	–	–	–
Net earned contributions	32	2,066,780	2,345,831	–	–
Other income from takaful business	33	482,699	460,447	–	–
Net benefits, claims and expense reserves	34	(894,103)	(1,047,540)	–	–
Net allowance for impairment on financing and advances, net of recoveries	35	(208,671)	(83,688)	–	–
Net allowance for impairment on debt instruments		(138)	37	–	–
Net allowance for impairment on other assets		2,895	(3,797)	(26,499)	(4,822)
Direct expenses		(13,660)	(16,444)	–	–
Total distributable income		4,759,959	5,277,308	337,023	416,589
Wakalah fees from restricted investment accounts	19	576	446	–	–
Income attributable to depositors	36	(986,213)	(1,360,491)	–	–
Income attributable to investment account holders	37	(212,070)	(164,887)	–	–
Income attributable to Takaful Operator/participants		(616,737)	(665,040)	–	–
Total net income		2,945,515	3,087,336	337,023	416,589
Personnel expenses	38	(785,395)	(811,657)	(5,596)	(7,420)
Other overhead expenses	39	(919,144)	(932,547)	(5,773)	(4,632)
Finance cost	40	(143,691)	(138,118)	(54,735)	(52,685)
Profit before zakat and tax		1,097,285	1,205,014	270,919	351,852
Zakat		(13,055)	(12,260)	–	–
Tax expense	43	(216,329)	(257,385)	(2,191)	(2,255)
Profit for the year		867,901	935,369	268,728	349,597
Attributable to:					
Owners of the Company		720,247	786,920	268,728	349,597
Non-controlling interests		147,654	148,449	–	–
Profit for the year		867,901	935,369	268,728	349,597
Earnings per share (sen)	44	40.21	44.75		
Dividend per ordinary share-net (sen)	45	12.60	16.00		

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
DISCONTINUED OPERATIONS					
Profit for the year		867,901	935,369	268,728	349,597
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit liabilities		(424)	(117)	–	–
Movement in fair value reserve (equity instruments):					
Net change in fair value		16,992	11,441	–	–
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences in respect of foreign operations		6,075	5,547	–	–
Movement in fair value reserve (debt instruments):					
Net change in fair value		258,410	346,055	–	–
Changes in expected credit losses		(138)	37	–	–
Net amount transferred to profit or loss		(273,845)	(97,972)	–	–
Income tax effect relating to components of other comprehensive income		5,492	(53,040)	–	–
Other comprehensive income for the year, net of tax		12,562	211,951	–	–
Total comprehensive income for the year		880,463	1,147,320	268,728	349,597
Total comprehensive income attributable to:					
Owners of the Company		730,490	989,719	268,728	349,597
Non-controlling interests		149,973	157,601	–	–
Total comprehensive income for the year		880,463	1,147,320	268,728	349,597

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	Attributable to owners of the Company					Total equity RM'000
		Share capital RM'000	Non-distributable Other reserves RM'000	Distributable Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	
DISCONTINUED OPERATIONS							
At 1 January 2020		4,307,819	(917,021)	2,503,634	5,894,432	523,711	6,418,143
Profit for the year		-	-	720,247	720,247	147,654	867,901
Other comprehensive income:							
Remeasurement of defined benefit liabilities		-	-	(188)	(188)	(236)	(424)
Currency translation differences in respect of foreign operations		-	6,710	-	6,710	(635)	6,075
Fair value reserve (debt instruments):							
Net change in fair value		-	254,186	-	254,186	4,224	258,410
Changes in expected credit losses		-	(138)	-	(138)	-	(138)
Net amount reclassified to profit or loss		-	(272,811)	-	(272,811)	(1,034)	(273,845)
Income tax effect relating to components of other comprehensive income		-	5,492	-	5,492	-	5,492
Fair value reserve (equity instruments):							
Net change in fair value		-	16,992	-	16,992	-	16,992
Total comprehensive income for the year		-	10,431	720,059	730,490	149,973	880,463
Transfer of regulatory reserve to retained earnings	26.2	-	(25,000)	25,000	-	-	-
Dividends payable to shareholders	45	-	-	(225,876)	(225,876)	-	(225,876)
Non-controlling share of dividend		-	-	-	-	(40,666)	(40,666)
Share-based payment transactions		-	9,809	-	9,809	6,763	16,572
Long Term Incentive Plan vested		-	(8,961)	-	(8,961)	8,961	-
Issue of shares pursuant to Dividend Reinvestment Plan	25	104,442	-	-	104,442	-	104,442
At 31 December 2020		4,412,261	(930,742)	3,022,817	6,504,336	648,742	7,153,078

Note 25 ← Note 26 →

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Group	Note	Attributable to owners of the Company					Total equity RM'000
		Share capital RM'000	Non-distributable Other reserves RM'000	Distributable Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	
At 1 January 2019							
– as previously stated		4,082,939	(1,138,762)	2,081,542	5,025,719	469,003	5,494,722
– effect upon adoption of MFRS 16 (net of tax)		–	–	(67,491)	(67,491)	–	(67,491)
At 1 January 2019, restated		4,082,939	(1,138,762)	2,014,051	4,958,228	469,003	5,427,231
Profit for the year		–	–	786,920	786,920	148,449	935,369
Other comprehensive income:							
Remeasurement of defined benefit liabilities		–	–	(52)	(52)	(65)	(117)
Currency translation differences in respect of foreign operations		–	4,419	–	4,419	1,128	5,547
Fair value reserve (debt instruments):							
Net change in fair value		–	337,413	–	337,413	8,642	346,055
Changes in expected credit losses		–	37	–	37	–	37
Net amount reclassified to profit or loss		–	(97,419)	–	(97,419)	(553)	(97,972)
Income tax effect relating to components of other comprehensive income		–	(53,040)	–	(53,040)	–	(53,040)
Fair value reserve (equity instruments):							
Net change in fair value		–	11,441	–	11,441	–	11,441
Total comprehensive income for the year		–	202,851	786,868	989,719	157,601	1,147,320
Transfer from retained earnings to regulatory reserve	26.2	–	15,000	(15,000)	–	–	–
Dividends payable to shareholders	45	–	–	(282,285)	(282,285)	–	(282,285)
Non-controlling share of dividend		–	–	–	–	(116,948)	(116,948)
Share-based payment transactions		–	10,668	–	10,668	7,277	17,945
Long Term Incentive Plan vested		–	(6,778)	–	(6,778)	6,778	–
Issue of shares pursuant to Dividend Reinvestment Plan	25	224,880	–	–	224,880	–	224,880
At 31 December 2019		4,307,819	(917,021)	2,503,634	5,894,432	523,711	6,418,143

Note 25 ←———— Note 26 —————→

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Company	Note	Attributable to owners of the Company			
		Share capital RM'000	Non-distributable Warrant reserves RM'000	Distributable Retained earnings RM'000	Total equity RM'000
DISCONTINUED OPERATIONS					
At 1 January 2020		4,307,819	129,300	224,918	4,662,037
Profit for the year		–	–	268,728	268,728
Issue of shares pursuant to:					
Dividend Reinvestment Plan	25	104,442	–	–	104,442
Dividends payable to shareholders	45	–	–	(225,876)	(225,876)
At 31 December 2020		4,412,261	129,300	267,770	4,809,331
At 1 January 2019					
– as previously stated		4,082,939	129,300	83,873	4,296,112
– prior year adjustments		–	–	73,733	73,733
At 1 January 2019, restated		4,082,939	129,300	157,606	4,369,845
Profit for the year		–	–	349,597	349,597
Issue of shares pursuant to:					
Dividend Reinvestment Plan	25	224,880	–	–	224,880
Dividends payable to shareholders	45	–	–	(282,285)	(282,285)
At 31 December 2019		4,307,819	129,300	224,918	4,662,037

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
DISCONTINUED OPERATIONS				
Cash flows from operating activities				
Profit before zakat and tax	1,097,285	1,205,014	270,919	351,852
Adjustments for:				
Amortisation of intangible assets	33,977	29,569	–	–
Depreciation of property and equipment	68,786	65,642	114	96
Depreciation of investment property	114	114	–	–
Depreciation of right-of-use assets	20,577	17,532	–	–
Net gain on disposal of property and equipment	(3)	(422)	–	–
Property and equipment written off	925	91	–	9
Loss on modification of financial assets	136,380	–	–	–
Net allowance for impairment on other assets	(2,895)	3,797	26,499	4,822
Net allowance for impairment on debt instruments	138	(37)	–	–
Allowance for impairment on financing, advances and others	288,187	190,829	–	–
Net gain on sale of financial assets at FVTPL	(500)	(26,178)	–	–
Net gain on sale of financial assets at FVOCI	(271,311)	(96,607)	–	–
Fair value (gain)/loss on financial assets at FVTPL	(11,187)	(43,272)	99	(234)
Unrealised foreign exchange loss	41,372	8,776	–	–
Net derivative (gain)/loss	(31)	36	–	–
Dividends income from debt instruments at FVTPL (unit trust)	(14,740)	(9,546)	(537)	(260)
Dividends income from equity instruments at FVOCI	(503)	(545)	–	–
Gross dividend income from subsidiary companies	–	–	(352,737)	(411,259)
Change in actuarial reserves/unearned contributions reserve	(23,150)	(13,750)	–	–
Equity settled share-based payment	16,572	17,945	–	–
Sale of investment in unit trust	(28)	–	–	–
Rebate on investment in unit trust	(979)	–	–	–
Profit income from investments of securities	(487,062)	(558,116)	(9,347)	(9,658)
Profit expense on lease	17,971	18,243	–	–
Finance cost on Sukuk liabilities	125,720	119,875	54,735	52,685
Operating profit/(loss) before changes in assets and liabilities	1,035,615	928,990	(10,255)	(11,947)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
DISCONTINUED OPERATIONS				
Operating profit/(loss) before changes in assets and liabilities	1,035,615	928,990	(10,255)	(11,947)
Changes in assets and liabilities:				
Financing, advances and others	(5,622,680)	(3,982,671)	–	–
Statutory deposits with Bank Negara Malaysia	977,711	432,148	–	–
Other assets	(329,345)	(301,826)	3,775	(3,942)
Deposits from customers	3,787,631	(2,680,832)	–	–
Investment accounts of customers	2,224,569	4,759,890	–	–
Other liabilities	1,403,766	1,410,807	13	(940)
Bills and acceptances payable	(19,463)	7,970	–	–
Cash generated from/(used in) operations	3,457,804	574,476	(6,467)	(16,829)
Zakat paid	(10,864)	(14,090)	–	–
Tax paid	(179,970)	(315,639)	(2,128)	(2,356)
Tax refund	–	2,883	–	213
Net cash generated from/(used in) operating activities	3,266,970	247,630	(8,595)	(18,972)
Cash flows from investing activities				
Profit income from investments of securities	487,062	558,116	9,347	9,658
Net proceeds from (purchase)/disposal of securities	(1,663,239)	(925,744)	–	–
Purchase of property and equipment	(101,063)	(64,555)	(84)	(134)
Proceeds from disposal of property and equipment	145	427	–	–
Dividends income from debt instruments at FVTPL (unit trust)	13,860	9,286	–	–
Dividends income from equity instruments at FVOCI	503	545	–	–
Income from investment sale of unit trust	28	–	–	–
Income from rebate on investment in unit trust	979	–	–	–
Dividends from subsidiaries	–	–	392,061	386,682
Subscription of ordinary shares pursuant to Dividend Reinvestment Plan	–	–	(293,750)	–
Purchase of Intangible assets	(156,676)	(4,689)	–	–
Net cash (used in)/generated from investing activities	(1,418,401)	(426,614)	107,574	396,206

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
DISCONTINUED OPERATIONS				
Cash flows from financing activities				
Dividends paid	(177,843)	(37,623)	(177,843)	(37,623)
Dividends paid to non-controlling interests	(67,048)	(49,900)	–	–
Payment of lease liabilities	(31,204)	(26,564)	–	–
Payment of coupon on Sukuk	(82,275)	(82,881)	(15,881)	(15,751)
Subordinated Sukuk Murabahah	1,100,000	–	–	–
Redemption of Subordinated Sukuk Murabahah	(650,000)	–	–	–
Net cash generated from/(used in) financing activities	91,630	(196,968)	(193,724)	(53,374)
Net increase/(decrease) in cash and cash equivalents	1,940,199	(375,952)	(94,745)	323,860
Cash and cash equivalents at 1 January	5,916,059	6,287,126	412,333	88,473
Exchange difference on translation	6,205	4,885	–	–
Cash and cash equivalents at 31 December	7,862,463	5,916,059	317,588	412,333
Cash and cash equivalents comprise:				
Cash and short-term funds	5,829,142	3,334,771	317,588	2,105
Deposits and placements with banks and other financial institutions	2,033,321	2,581,288	–	410,228
	7,862,463	5,916,059	317,588	412,333
Less:				
Cash and short-term funds and deposits and placements with banks and other financial institutions with original maturity of more than three months	(2,033,321)	(1,923,235)	–	(410,228)
	5,829,142	3,992,824	317,588	2,105

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's statements of cash flows from financing activities.

	At 1.1.2020 RM'000	Additions during the year RM'000	Redemption/ Reversal during the year RM'000	Charges from financing cash flows RM'000	Finance cost for the year RM'000	Foreign exchange difference RM'000	At 31.12.2020 RM'000
Group							
Sukuk liabilities	2,139,666	1,100,000	(650,000)	(82,275)	125,720	–	2,633,111
Lease liabilities	328,062	878	(1,510)	(31,204)	17,971	(11)	314,186
	<u>2,467,728</u>	<u>1,100,878</u>	<u>(651,510)</u>	<u>(113,479)</u>	<u>143,691</u>	<u>(11)</u>	<u>2,947,297</u>
Company							
Sukuk liabilities	<u>881,093</u>	–	–	(15,881)	54,735	–	<u>919,947</u>

	Effect on adoption of MFRS 16 RM'000	At 1.1.2019 RM'000	Additions during the year RM'000	Charges from financing cash flows RM'000	Finance cost for the year RM'000	At 31.12.2019 RM'000
Group						
Sukuk liabilities	–	2,102,672	–	(82,881)	119,875	2,139,666
Lease liabilities	326,196	326,196	10,187	(26,564)	18,243	328,062
	<u>326,196</u>	<u>2,428,868</u>	<u>10,187</u>	<u>(109,445)</u>	<u>138,118</u>	<u>2,467,728</u>
Company						
Sukuk liabilities		844,159	–	(15,751)	52,685	881,093

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

BIMB Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Registered office and principal place of business

31st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in Islamic banking business, managing family and general takaful, and stock-broking businesses.

The ultimate holding entity is Lembaga Tabung Haji ("LTH"), a hajj pilgrims' fund statutory body established in Malaysia under the Tabung Haji Act, 1995 (Act 535).

These financial statements were authorised for issue by the Board of Directors on 14 April 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

As disclosed in Note 56 and Note 57 to the financial statements, BIMB Holdings Berhad ("BHB" or "the Company") had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad ("Bank Islam"), the distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad by way of distribution-in-specie to its shareholders, and subsequently the delisting of the Company and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. BHB is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

Consequently, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance

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

This is the first set of the Group's and of the Company's annual financial statements in which the impact of COVID-19 ("pandemic") was considered. The Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The key measures affecting regulatory and accounting treatment and classifications are as follows:

(i) Moratorium repayment on financing:

- Bank Islam Malaysia Berhad ("Bank Islam" or "the Bank") has granted an automatic repayment moratorium on all individuals' and small-medium enterprises' ("SMEs") financing (except for credit card balances) for a period of six months from 1 April 2020. The automatic moratorium applied to financing not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit. This measure is extended beyond 1 October 2020 to viable customers on a case-to-case basis.
- For credit card balances, Bank Islam offered the option to convert the balances to term financing.
- For corporate customers, Bank Islam granted assistance through repayment moratorium or additional working capital or rescheduling and restructuring of existing facilities. This is to enable viable corporations in preserving jobs and resuming economic activities when conditions stabilise and improve.

(ii) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework for Islamic Banks for which assistance is granted:

- The determination of "days past due" is based on the new repayment terms of rescheduled and restructured financing.
- Individuals or SMEs are not considered to be in default based on the "unlikeliness to repay" at the time of when the assistance was granted, except for when customers are subject to bankruptcy action.
- Corporates "unlikeliness to repay" are based on holistic assessment of all relevant factors and information, not on the act of accepting assistance from the Bank.

The regulatory capital treatment above shall apply to financing denominated in Malaysian Ringgit that meet the following criteria:

- The principal or profit or both, is not in arrears exceeding 90 days at the application date of assistance.
- The application is received on or before 30 June 2021.

(iii) Classification in the Central Credit Reference Information System ("CCRIS")

The following shall apply for rescheduled and restructured financing with arrears not exceeding 90 days at the application date of assistance received on or before 30 June 2021:

- The financing need not be reported as (R&R) in CCRIS; and
- The financing need not be reported as credit-impaired in CCRIS.

However, financing with multiple R&R (more than one R&R are made from 1 April 2020 until 30 June 2021) is excluded from the above treatment as it is deemed as non-viable financing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(iv) Bank Negara Malaysia (“BNM”) allows financial institutions to drawdown certain prudential buffers as below:

- Drawdown the capital conservation buffer of 2.5%;
- Operate below the minimum Liquidity Coverage Ratio (“LCR”) of 100%;
- Reduce the regulatory reserves held against expected credit losses to 0%; and
- Minimum Net Stable Funding Ratio (“NSFR”) is lowered to 80% from 100% effective 1 July 2020.

BNM requires financial institutions to restore the minimum regulatory requirements by 30 September 2021.

Other than as described above, the adoption of other accounting standards, interpretations and amendments did not have any significant impact on the Group and the Company.

(v) Amendments to MFRS that were adopted by the Group and the Company

During the financial year, the Group and the Company adopted the following amendments to the standards which came into effect 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS7 – *Interest Rate Benchmark Reform*
- Amendments to MFRS 16, *COVID-19-Related Rent Concessions* (effective 1 June 2020)
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The adoption of these amendments to published standards did not have any impact on the financial results of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

(vi) MFRSs and Amendments to MFRSs that have been issued but are not yet effective to the Group and the Company

The following are accounting standards and amendments to the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform-Phase 2*

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

- Annual Improvements to MFRS 9, *Fees in the 10% test for derecognition of financial liabilities*
- Amendments to MFRS 3, *Reference to Conceptual Framework*
- Amendments to MFRS 116, *Proceeds before intended use*
- Amendments to MFRS 137, *Onerous contracts-cost of fulfilling a contract*

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

- Amendments to MFRS 101, *Classification of liabilities as current or noncurrent*
- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contract*

MFRSs, Interpretations and amendments effective for annual periods beginning or 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*

Apart from MFRS 17 Insurance Contracts, the initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impacts to the Group and the Company.

The Group is in the process of assessing the financial impact from the application of MFRS 17 Insurance Contracts onto the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, financial assets at fair value through profit or loss "FVTPL" and fair value through other comprehensive income "FVOCI", which have been measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and have been rounded to the nearest thousand (RM'000), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements 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 financial statements in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in the following notes:

- Note 2.29 and Note 51 – Fair value of financial instruments
- Note 2.12 – Impairment
- Note 2.15 and 2.16 – Provision for outstanding claims including IBNR claims and actuarial reserves
- Note 2.17 – Computation of expense reserves
- Note 2.25, Note 12 and Note 43 – Income Tax/Deferred tax assets

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less impairment losses, if any. Where there is indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity instruments, that the Group incurs in connection with a business combination are expensed as incurred.

(c) Acquisition or disposal of non-controlling interest

The Group accounts for all changes in its ownership interest in subsidiaries that do not result in loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(d) Acquisition from entities under common control

In a business combination under common control, the assets and liabilities of the transferee entities are included in the consolidated financial statements of the acquiring entity at their existing carrying amounts from the consolidated financial statements of the ultimate controlling party without fair value uplift. The difference between the consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) is recognised in equity. No new goodwill is recognised. The existing entities' results, assets and liabilities are incorporated in the consolidated financial statements of the acquiring entity as if the entities had always been from the date of common control.

(e) Distribution-in-specie

The Group and Company measure the liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. At the end of each reporting period and at the date of settlement, the Group and Company review and adjust the carrying amount of the dividend payable, with any changes in the carrying amount of the dividend payable recognised in equity as adjustments to the amount of the distribution. Any difference between the fair value of the non-cash assets distributed and their respective carrying amounts is recognised in profit or loss upon derecognition of the non-cash assets.

(f) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset at FVOCI depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

(g) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity, within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(h) 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.

2.3 Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are generally recognised in the profit or loss. However, foreign currency differences arising from the translation of an investment in equity securities designated as at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income (OCI).

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(b) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below. The Group and the Company has consider the impact of the pandemic and there is no changes to the Group's and the Company's business model for managing the financial instruments.

(i) Initial recognition and measurement

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Classification and subsequent measurement

The Group and the Company categorise financial instruments as follows:

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI - debt instrument; FVOCI - equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Company change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) 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:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

These assets are subsequently measured at amortised cost using effective profit rate method. These assets are stated net of unearned income and any impairment loss.

Included in financial assets measured at amortised cost are financing, advances and others which consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah, Bai Al-Dayn and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek), construction-based contract (Istisna') and Ar-Rahnu contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

(b) Financial assets at FVOCI

(i) FVOCI – debt instruments

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for impairment losses, profit income and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

(ii) FVOCI – equity instruments

On initial recognition of an equity instrument that is not held for trading, the Group and the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c) Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group and the Company 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.

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment

The Group and the Company make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's and the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment 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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group and the Company 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 this assessment, the Group and the Company consider:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Derivative financial instruments

The Group and the Company hold derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group and the Company elect not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. In the event of an embedded derivatives, the host contract that is not a financial assets are recognised separately and accounted for in accordance with the policy applicable to the nature of the host contract.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Investment accounts

Investment accounts are either:

(a) Unrestricted investment accounts

An unrestricted investment account ("UA") refers to a type of investment account where the investment account holder ("IAH") provides the Group with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The UA is structured under Mudharabah and Wakalah contracts.

Impairment allowances required on the assets for investment accounts are charged to and borne by the investors.

(b) Restricted investment accounts

Restricted investment account ("RA") refers to a type of investment account where the IAH provides a specific investment mandate to the Group such as purpose, asset class, economic sector and period of investment.

RA is accounted for as off balance sheet as the Group has no risk and reward in respect of the assets related to the RA or to the residual cash flows from those assets except for the fee income generated by the Group for managing the RA. The Group also has no ability to use power over the RA to affect the amount of the Group return. The RA is structured under Wakalah contract whereby the IAH appoints the Group as the agent to invest the funds provided by IAH to finance customers with a view of earning profits and the Group receives fees for the agency service provided. Refer to Note 19 for the disclosure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

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.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the allowance for impairment; and
- the premium received on initial recognition less cumulative income recognised in accordance with the principal of MFRS 15.

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) and any cumulative gain or loss that had been recognised in equity 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 or 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.

Offsetting

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

2.6 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing cost.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of property and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (continued)

Recognition and measurement (continued)

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" or "other overhead expenses" respectively in the profit or loss.

Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Building improvements and renovations	6 – 10 years
• Furniture, fixtures and fittings	2 – 10 years
• Office equipment	5 – 6 years
• Motor vehicles	5 years
• Computer equipment and software	3 – 7 years
• Long term leasehold land	50 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment property

(i) Investment property carried at amortised costs

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of services or for administrative purposes. These include land held for a currently undetermined future use. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property and equipment as stated in accounting policy Note 2.6.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

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

(ii) Reclassifications to/from investment property carried at amortised costs

When an item of property and equipment is transferred to investment property following a change in its use, the carrying amount of the item is reclassified to investment property as the Group adopts the cost model for investment property.

2.8 Intangible assets

Intangible assets that are acquired by the Group have finite useful lives and are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Cost associated with maintaining computer software programmes are recognised as an expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Intangible assets are amortised from the date that they are available for use. Amortisation is based on cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The policies applies to intangible assets and its estimated useful lives for the current and comparative periods are as follows:

	Amortisation methods used	Useful economic lives
Bancatakaful service fees	Straight-line/units-of-production	5 years
Computer softwares	Straight-line	5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 (i) Lessee accounting

The Group and the Company consider whether a contract is, or contains a lease. A lease is defined as “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration”.

To apply this definition, the Group and the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group or the Company;
- the Group or the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; or
- the Group or the Company has the right to direct the use of the identified asset throughout the period of use.

The Group and the Company assesses whether it has the right to direct “how and for what purpose” the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group and the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset (“ROU”) is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group has elected not to separate the lease and non-lease components for property lease.

The Group and the Company depreciates the ROU on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU or the end of the lease term. The Group and the Company also assesses the ROU for impairment when such indicators exist.

At the commencement date, the Group and the Company measures the lease liability at the present value of the lease payments unpaid at the date, discounted using the profit rate implicit in the lease if that rate is readily available or the Group and the Company incremental financing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for profit expense. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU, or profit and loss if the ROU is already reduced to zero.

The Group and the Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a ROU and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Lessor accounting

As a lessor, the Group and the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Leases, where the Group and the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

When the Group and the Company are an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease to which the Group and the Company apply the exemption described above, then it classifies the sublease as an operating lease.

2.11 Bills and other receivables

Bills and other receivables are stated at amortised cost less any allowance for impairment.

2.12 Impairment

Impairment of financial assets

(a) Impairment of financial assets

The Group recognises allowance for impairment or allowance for ECL on financial assets measured at amortised cost, financial guarantee contracts, financing commitments and debt instruments measured at FVOCI, but not to investments in equity instruments.

At each reporting date, the Group first assess individually whether there is a significant increase in credit risk or objective evidence of impairment exists for significant financial assets and collectively for financial assets that are not individually significant. If it is determined that there is significant increase in credit risk or objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial assets measured at amortised cost and FVOCI, a lifetime ECL will be recognised for impairment loss which has been incurred.

The Group has considered the impact of the pandemic and has taken into account the economic and financial measures announced by the Government in estimating the ECL on the financial assets.

Under collective assessment, the Group apply a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

(i) Stage 1: 12-months ECL ("Stage 1")

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

(ii) Stage 2: Lifetime ECL – not credit impaired ("Stage 2")

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment (continued)

Impairment of financial assets (continued)

(a) Impairment of financial assets (continued)

(iii) Stage 3: Lifetime ECL – credit impaired (“Stage 3”)

Financial assets are assessed as credit impaired when one or more events that have a negative impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised.

Loss allowances for takaful and retakaful receivables are always measured at an amount equal to lifetime ECLs.

The Group considers the economic and financial measures announced by the Government, i.e. automatic moratorium as well as rescheduling and restructuring for eligible customers are granted as part of an unprecedented government effort to support the economy amid the pandemic, rather than in response to the financial circumstances of individual customers. Judgement is exercised in determining the significant increase in credit risk for customers receiving relief assistance and do not automatically result in a stage transfer.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group 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 Group’s historical experience, informed credit assessment and including forward-looking information.

The Group assume that the credit risk on a financial asset has increased significantly when it is more than 30 days past due. The Group also use its internal credit risk grading system and external risk rating to assess deterioration in credit quality of a financial asset.

The Group assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty’s ability to pay all amounts due according to the contractual terms of the assets being evaluated.

(b) Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expect to receive).

ECLs are discounted at the effective profit rate of the financial asset.

(c) Incorporation of forward-looking information

Relevant macroeconomic factors are incorporated in the risk parameters as appropriate. The key macroeconomics variables (“MEV”) that are incorporated in determining ECLs include, but not limited to, Kuala Lumpur Composite Index (“KLCI”), Unemployment Rate, House Price Index (“HPI”), Consumer Price Index (“CPI”), and Industrial Production Index (“IPI”). To reflect the impact of the pandemic, the Group extend the MEV to, among others, Gross Domestic Product (“GDP”).

Forward-looking macroeconomic forecasts are generated by the Group Economist as part of the ECL process. An economic forecast is accompanied with three economic scenarios: a base case, which is the median scenario, and two less likely scenarios, one upside and one downside. The Group revise the probability of occurring as below:

Economic scenarios	As previously disclosed	Revised
Base case	60%	60%
Upside	30%	20%
Downside	10%	20%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment (continued)

Impairment of financial assets (continued)

(c) Incorporation of forward-looking information (continued)

Selected MEVs are projected over the forecast period, and they could have a material impact in determining ECLs. Forecasted MEVs are derived by Economist using time series econometrics. The data series are procured from the official source such as Department of Statistics Malaysia ("DOSM"), BNM and other government agencies. Prior to MEV forecast, Economists would gather his or her intelligence from discussion with the policy makers, institutional investors and other news flow (main stream and social media) in order to form an opinion. The opinion may cover the economic policies, business cycle and financial market condition. This will be the main input before embarking MEV forecast exercise.

The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

(d) Credit impaired financial assets

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in profit or principal payments;
- the restructuring of a financing or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- based on external credit assessment institutions rating which indicates high likelihood of default.

(e) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt instruments at FVOCI, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

(f) Restructured financing

A financing that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated financing is a substantially different instrument. Where such financing are derecognised, the renegotiated contract is a new financing and impairment is assessed in accordance with the Group accounting policy.

Where the renegotiation of such financing are not derecognised, the gross carrying amount is recalculated based on the revised cash flows with gain or loss on modification recognised in profit or loss. Impairment continues to be assessed for significant increases in credit risk compared to the initial origination credit risk rating.

(g) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For commercial and corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment (continued)

Impairment of other assets

The carrying amount of other assets (except for current tax assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.13 Bills and acceptances payable

Bills and acceptances payable represent the Group's own bills and acceptances rediscounted and outstanding in the market. Refer to Note 2.5 on recognition and measurement of financial liabilities.

2.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.15 General Takaful Fund

The General Takaful Fund is maintained in accordance with the Islamic Financial Services Act, 2013. Included in General Takaful Fund are funds arising from:

- General Takaful; and
- General retakaful funds.

The General Takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions, claims incurred and administrative fees.

Contribution liabilities

Contribution liabilities represent the future obligations on takaful contracts as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful contracts and recognised as earned contribution income.

Contributions liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") respectively for all lines of business or the best estimate value of the unexpired risk reserves ("URR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 General Takaful Fund (continued)

Contribution liabilities (continued)

(i) Unexpired risk reserves

The URR is prospective estimate of the expected future payments arising from future events insured or covered under contracts in force as at the end of the financial year and also includes allowance for expenses, including overheads and costs of retakaful, expected to be incurred during the unexpired period in administering these policies or contracts and settling the relevant claims, and shall allow for expected future contributions refunds.

URR is estimated via an actuarial valuation performed by qualified actuary, using a mathematical method of estimation similar to Incurred But Not Reported ("IBNR") claims.

(ii) Unearned contribution reserves

The Unearned Contribution Reserves ("UCR") represent the portion of the net contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial year.

In determining the UCR at the end of the reporting period, the method that most accurately reflects the actual unearned contributions is used, as follows:

- (a) 1/365th method for all General Takaful business
- (b) 1/8th method for all classes of General Treaty Inward Retakaful business

Provision for outstanding claims

A liability for outstanding claims is recognised in respect of direct takaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries, if any, to settle the present obligation at the end of the reporting period. Any difference between the current estimated cost and subsequent settlement is dealt with in the takaful statement of comprehensive income of the Group in the year in which the settlement takes place.

Provision is also made for the cost of claims (together with related expenses) and IBNR Claims at the end of the reporting period, using a mathematical method of estimation by a qualified actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claims settlement pattern as well as uncertainties in the projection model and underlying assumptions.

2.16 Family Takaful Fund

Included in Family Takaful Fund are funds arising from:

- Family Takaful;
- Group Family Takaful; and
- Family retakaful funds.

The Family Takaful Fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amounts attributable to participants which represents the participants' share of the underwriting surplus and return on the investments, where applicable and are distributable in accordance with the terms and conditions prescribed by the Group.

The surplus transfer from the Family Takaful Fund to the profit or loss is based on the predetermined profit sharing ratio of the underwriting surplus and return on investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Family Takaful Fund (continued)

Investment-linked business

Investments of the investment-linked business are stated at closing market prices. Any increase or decrease in value of these investments is taken into the investment-linked business revenue accounts.

Actuarial reserves

Actuarial reserves comprise the Prospective Actuarial Valuation, Cash Flow Projection Valuation and Unearned Contribution Valuation as explained below:

(i) Prospective Actuarial Valuation

For credit-related products, the liabilities of Family Takaful Fund shall be valued based on the sum of present value of future benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru' arising from the certificate, discounted at the appropriate risk discount rate as defined in the valuation guidelines.

For a credit-related takaful certificate whose sustainability of tabarru' deductions is dependent on the performance of Participants Investment Fund ("PIF"), the calculation is subject to adjusting the future gross tabarru' cash flow such that it is limited to the period where the PIF can sustain the tabarru' and assuming that the takaful coverage is in force for the full duration of the takaful contract.

(ii) Cash Flow Projection Valuation

For products with PIF other than credit-related products, the liabilities shall be valued by projecting future cash flows to ensure that all future obligations can be met without recourse to additional finance or capital support at any future time during the duration of the certificate. The cash flow projection shall use a basis that is consistent with the requirements of the valuation guidelines.

(iii) Unearned Contribution Valuation

Yearly renewable products or extensions shall be valued according to the following:

- (a) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date. These future payments shall include allowance for direct claims related expenses, direct investment-related expenses, cost of retakaful and expected future contribution refunds expected during the unexpired period.
- (b) For a certificate covering contingencies other than death or survival the net liability is the maximum of unexpired risk reserve or unearned contribution reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Family Takaful Fund (continued)

Provision for outstanding claims

Claims and provisions for claims arising on family and group family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose the benefits payable under a family takaful certificate are recognised as follows:

- (a) Maturity or other policy benefit payments due on specified dates are accounted for as claims payable on the due dates.
- (b) Death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the participant or occurrence of contingency covered.
- (c) For individual family, group health and medical business, provision is made for the cost of claims (together with related expenses) and IBNR at the end of the reporting period, using a mathematical method of estimation by a qualified internal actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claim settlement pattern as well as uncertainties in the projection model and underlying assumptions.

2.17 Expense reserves

The expense reserves is reported as a liability in Shareholder's Fund.

(i) General Takaful Fund

The expense reserve for mudharabah certificates is calculated based on best estimate of the provision for unexpired expense risk ("UER") and the provision of risk margin for adverse deviation ("PRAD"). The expense reserve for wakalah certificates refers to the higher of aggregate of the Unearned Wakalah Fee ("UWF") for all lines of business or best estimate of the provision for UER and the PRAD at total fund level.

(ii) Family Takaful Fund

Expense reserves consists the followings:

(a) Expense liabilities

The expense reserves for the Family Takaful business are estimated assuming that the block of in-force contracts are to be maintained on a 'going concern' basis. Under a 'going concern' scenario, the contracts so valued are taken as a particular sub-block of contracts and the cash flows are valued to the point the last certificate goes off the books.

The maintenance expenses related to such contracts include the cost of functions that would normally be associated with operation of the business on a 'going concern' basis.

The method used to value expense liabilities shall be consistent with the method used to value takaful liabilities of the corresponding family takaful certificate (for example, for a long-term ordinary takaful certificate, the valuation method for expense liabilities should also be long-term in nature).

(b) Deficiency Reserve for Skim Anuiti Takaful KWSP

In addition to the expense liabilities above, an additional requirement is also complied as stipulated below:

If Participant Investment Fund (PIF) is expected to be insufficient to meet future annuity certain benefit and/or future life annuity tabarru', another provision shall be set aside that is in line with requirement of the valuation guideline. Upon PIF insufficiency, the Shareholders' Fund shall honour the annuity certain benefit payment to participants as well as the tabarru' to Participant Risk Fund ("PRF").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Product classification

The Family Takaful Fund and General Takaful Fund consist of certificate contracts that transfer takaful risk.

Takaful contracts are those contracts that transfer significant takaful risk. A takaful contract is a contract under which the fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate the participants if a specified uncertain future event (the takaful event) adversely affects the participants. As a general guideline, to determine whether a contract has significant takaful risk, benefits paid are compared with benefits payable if the takaful event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk. There are no contracts that are classified as investment contracts in the Family and General Takaful Funds.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its life-time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Takaful contracts in the current portfolio are classified as being without discretionary participation features ("DPF") as it does not satisfy the criteria for DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - the profit or loss of the company, fund or other entity that issues the contract.

2.19 Retakaful

The fund cedes takaful risk in the normal course of business. Retakaful assets represent balances receivable and recoverable from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's certificates and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the fund from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

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

Gains or losses on buying retakaful, if any, are recognised in profit or loss immediately at the date of purchase and are not amortised.

The fund also assumes retakaful risk in the normal course of business for Family Takaful and General Takaful contracts when applicable.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Retakaful (continued)

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contributions or fees to be retained by the retakaful operators. Investment income on these contracts is accounted for using the effective yield method when accrued.

2.20 Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

2.21 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group's holding company, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.22 Equity instruments

Share Capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

Warrants

Warrants issued by the Group and the Company is an equity instrument and classified as equity in the statement of financial position.

These warrants issued are free detachable warrants which will expire at the end of ten years from the date of issuance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Equity instruments (continued)

Warrants (continued)

Upon issuance of warrants, it is the Group and the Company's ("the issuers") obligation to issue a fixed amount of ordinary share capital at the agreed exercise price.

Any premium received for the warrants on the issuers own shares is added directly to equity. Any consideration paid is deducted directly from equity. Changes in the fair value of an equity instrument are not recognised in the financial statements.

2.23 Recognition of income

Financing income – Banking business

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that 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 instruments. When calculating the effective profit rate, the Group has considered all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the effective profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Financing income – Takaful business

Income from financing are recognised on an accrual basis and on a time proportion basis that takes into account the effective yield of the asset.

Contribution income – General Takaful Fund

Contributions are recognised in a financial period in respect of risks assumed during that particular financial period based on the inception date. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

Contribution income – Family Takaful Fund

Contribution is recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when it is due. At the end of each financial period, all due contributions are accounted for to the extent that they can be reliably measured.

Wakalah fees

Wakalah fees are recognised as income or expenses by the respective funds based on a predetermined percentage of gross contributions upon inception of certificates. Wakalah surplus/(deficit) is arrived at after deducting commission and management expenses against the Wakalah fees charged.

Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, brokerage fees and wakalah performance incentive fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on satisfaction of performance obligations and completion of each stage of the assignment.

Dividend income from subsidiaries and associates and other investments are recognised when the Group's rights to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Material profit or loss items

The Group has identified item which is material due to the significance of their nature and/or their amount. This is listed separately here to provide a better understanding of the financial performance of the Group.

	Group	
	2020 RM'000	2019 RM'000
Loss on modification of financial assets	(136,380)	–

During the financial period, Bank Islam Malaysia Berhad (“the Bank”) granted an automatic moratorium on certain financing repayments (except for credit card balances), for individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist customers experiencing temporary financial constraints due to the COVID-19 pandemic.

Following the end of the six-month blanket moratorium, the Bank continue to support financing customers that face difficulties in fulfilling their financial obligation, through the Targeted Repayment Assistance (“TRA”) program.

As a result of the payment moratorium and TRA, the Group recognised a one-off loss of RM136,380,000 arising from the modification of the expected cash flows of the financing.

The following table includes a summary of information for financial assets with lifetime ECL whose cash flows were modified during the financial year as part of the Group and Bank’s restructuring activities and their respective effect on the Group’s financial performance:

	Group	
	2020 RM'000	2019 RM'000
Financing, advances and others:		
Amortised cost before modification	1,881,218	–
Net modification loss	1,867,943	–

2.25 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither, accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.26 Zakat

This represents business zakat. It is an obligatory amount payable by the Group and the Company to comply with the principles of Shariah.

2.27 Employee benefits

Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

State plans

The Group's and the Company contribution to the Employees Provident Fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

Defined benefit plans

The Group's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net profit expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Employee benefits (continued)

Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using Monte Carlo Simulation. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), expected dividends, and the risk-free profit rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2.28 Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2.29 Fair value measurements

'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 or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. 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 there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Fair value measurements (continued)

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.30 Non-Current Assets (or disposal groups) held-for-sale and discontinued operation

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Profit and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is to be distributed to the shareholders or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statements, statements of changes in equity and statements of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and balances with banks and other financial institutions	806,268	897,248	319	2,105
Money at call and interbank placements with remaining maturity not exceeding one month	5,022,874	2,437,523	317,269	–
	5,829,142	3,334,771	317,588	2,105

All bank balances are assessed to have low credit risk as they are held with reputable banking institutions and the identified expected credit loss was immaterial.

Monies held in trust on behalf of clients by the Group in respect of the stockbroking business are not recognised as part of the Group's cash and cash equivalents as follows:

	Group	
	2020 RM'000	2019 RM'000
Cash at bank	7,374	5,078

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Bank Negara Malaysia	–	658,053	–	–
Licensed banks	1,996,962	1,888,196	–	–
Licensed Islamic banks	361	–	–	410,228
Other financial institutions	35,998	35,039	–	–
	2,033,321	2,581,288	–	410,228

All the deposits and placements with banks and other Financial Institutions are assessed to have low credit risk as they are held with reputable banking institutions and the identified expected credit loss was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Money market instruments				
Shares	343,554	333,844	–	–
Unit trusts	306,908	303,789	7,555	7,117
Corporate Sukuk	466,769	432,940	–	–
Malaysian Government Investment Issues	602,925	274,162	–	–
Islamic commercial papers	30,051	50,189	–	–
Malaysian Islamic Treasury Bills	243,618	99,571	–	–
	1,993,825	1,494,495	7,555	7,117

6 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss and hedging purposes. The principal or contractual amount of these instruments reflect 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.

	2020		
	Notional amount RM'000	Fair value Assets RM'000	Liabilities RM'000
Group			
Forward contracts	8,518,422	59,494	(104,228)
Profit rate swaps	114,056	2,171	(1,644)
	8,632,478	61,665	(105,872)
	2019		
	Notional amount RM'000	Fair value Assets RM'000	Liabilities RM'000
Group			
Forward contracts	6,255,520	31,626	(35,927)
Profit rate swaps	147,098	1,700	(819)
	6,402,618	33,326	(36,746)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	Group	
	2020 RM'000	2019 RM'000
Financial assets at fair value through other comprehensive income:		
(a) Debt instruments*	18,332,001	16,899,925
(b) Equity instruments	63,951	46,959
	18,395,952	16,946,884

* Included in debt instruments are investment made in Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") amounting to RM600,000,000 (2019: RM Nil) as part of the Bank Islam's Statutory Reserves Requirements ("SRR") compliance.

(a) Debt instruments at fair value through other comprehensive income

	Group	
	2020 RM'000	2019 RM'000
Money market instruments		
Malaysian Government Investment Issues	3,453,928	2,753,022
Institutional Trust Account	652,486	530,852
Islamic commercial papers	259,361	230,871
Corporate Sukuk	13,966,226	13,385,180
	18,332,001	16,899,925

Movement of allowance for impairment on financial assets at fair value through other comprehensive income:

	Group	
	2020 RM'000	2019 RM'000
Stage 1		
At 1 January	265	302
Allowances made/(reverse) during the year	138	(37)
	403	265

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (CONTINUED)

(b) Equity instruments at fair value through other comprehensive income

	Group	
	2020 RM'000	2019 RM'000
Quoted shares – outside Malaysia#	13,755	8,978
Unquoted shares – in Malaysia*	50,194	37,979
– outside Malaysia	2	2
	50,196	37,981
	63,951	46,959

Equity instruments at fair value through other comprehensive income mainly comprise the following significant individual investments:

	Fair value		Dividend income	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
#Amana Bank Limited	13,755	8,978	503	545
*Payment Networks Malaysia Sdn Bhd	49,478	37,264	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8 FINANCING, ADVANCES AND OTHERS

(a) By type and Shariah contract

Group 2020	Bai' Bithaman		Bai		Bai		Ijarah		Total RM'000
	Ajil RM'000	Murabahah RM'000	Al-Dayn RM'000	Al-Inah RM'000	Tawarruq RM'000	At- Muntahiah Bit-Tamleek [^] RM'000	Istisna' RM'000	Ar-Rahnu RM'000	
Cash line	-	-	-	1,465	1,287,126	-	-	-	1,288,591
Term financing:									
House financing	3,238,398	-	-	-	18,280,073	-	45,780	-	21,564,251
Syndicated financing	-	-	-	-	1,459,016	-	-	-	1,459,016
Leasing financing	-	-	-	-	-	114,300	-	-	114,300
Bridging financing	-	-	-	-	-	-	47,380	-	47,380
Personal financing	-	-	-	5,256	16,816,181	-	-	-	16,821,437
Other term financing	487,567	1,411,820	-	15	10,736,190	-	1,119	-	12,636,711
Staff financing	46,367	15,847	-	-	307,861	-	7,584	-	377,659
Credit cards	-	-	-	-	447,471	-	-	-	447,471
Trade bills discounted	-	631,567	31,221	3,034	164,888	-	-	-	830,710
Trust receipts	-	5,584	5	-	-	-	-	-	5,589
Pawn broking	-	-	-	-	-	-	-	5,481	5,481
	3,772,332	2,064,818	31,226	9,770	49,498,806	114,300	101,863	5,481	55,598,596
Allowance for impairment on financing, advances and others									
- Stage 1									(653,983)
- Stage 2									(151,446)
- Stage 3									(122,532)
Net financing, advances and others									54,670,635

[^] Assets funded under *Ijarah* financing are owned by Bank Islam throughout the tenure of the *Ijarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *Ijarah* financing contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8 FINANCING, ADVANCES AND OTHERS (CONTINUED)

(a) By type and Shariah contract (continued)

Group 2019	Bai'		Bai		Bai		Ijarah		Total RM'000
	Bithaman Ajl RM'000	Murabahah RM'000	Al-Dayn RM'000	Al-Inah RM'000	Tawarruq RM'000	At- Muntahiah Bit-Tamleek [^] RM'000	Istisna' RM'000	At-Rahnu RM'000	
At amortised cost									
Cash line	-	-	-	1,497	1,429,391	-	-	-	1,430,888
Term financing:									
House financing	3,422,625	-	-	-	16,194,868	-	47,072	-	19,664,565
Syndicated financing	-	-	-	-	1,032,250	-	-	-	1,032,250
Leasing financing	-	-	-	-	-	111,653	-	-	111,653
Bridging financing	-	-	-	-	-	-	52,122	-	52,122
Personal financing	-	-	-	6,680	14,614,052	-	-	-	14,620,732
Other term financing	721,670	1,290,035	-	24	9,591,672	-	1,130	-	11,604,531
Staff financing	52,414	10,872	-	-	179,838	-	8,372	-	251,496
Credit cards	-	-	-	-	492,829	-	-	-	492,829
Trade bills discounted	-	772,494	113,840	-	-	-	-	-	886,334
Trust receipts	-	5,269	-	193	-	-	-	-	5,462
Pawn broking	-	-	-	-	-	-	-	71,107	71,107
	4,196,709	2,078,670	113,840	8,394	43,534,900	111,653	108,696	71,107	50,223,969
Allowance for impairment on financing, advances and others									
- Stage 1									(431,135)
- Stage 2									(148,115)
- Stage 3									(172,197)
Net financing, advances and others									49,472,522

[^] Assets funded under *Ijarah* financing are owned by Bank Islam throughout the tenure of the *Ijarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *Ijarah* financing contract.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8 FINANCING, ADVANCES AND OTHERS (CONTINUED)

(a) By type and Shariah contract (continued)

Included in financing, advances and others are house financing and personal financing that are used for the underlying assets of Unrestricted Investment Accounts ("UA") and financing sold to Cagamas with recourse to the Group. The details are as follows:

	Note	Group	
		2020 RM'000	2019 RM'000
House financing			
Unrestricted Investment Accounts	19	8,567,694	6,504,728
Sold to Cagamas with recourse	20	1,501,187	1,501,187
		10,068,881	8,005,915
Personal financing			
Unrestricted Investment Accounts	19	3,454,418	3,292,815

(b) By type of customer

	Group	
	2020 RM'000	2019 RM'000
Domestic non-bank financial institutions	1,473,316	1,595,043
Domestic business enterprise	9,859,263	8,384,026
Small & medium enterprises	1,799,003	2,017,946
Government and statutory bodies	743,051	729,905
Individuals	41,353,603	37,227,020
Other domestic entities	102,008	71,582
Foreign entities	268,352	198,447
	55,598,596	50,223,969

(c) By profit rate sensitivity

Fixed rate:		
House financing	732,437	985,880
Others	3,859,673	3,700,354
Floating rate:		
House financing	21,485,764	19,299,203
Others	29,520,722	26,238,532
	55,598,596	50,223,969

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8 FINANCING, ADVANCES AND OTHERS (CONTINUED)

(d) By remaining contractual maturity

	Group	
	2020 RM'000	2019 RM'000
Maturity within one year	3,660,883	4,615,374
More than one year to three years	1,516,856	1,265,070
More than three years to five years	3,272,167	3,230,831
More than five years	47,148,690	41,112,694
	55,598,596	50,223,969

(e) By geographical distribution

Central Region	25,745,132	23,794,695
Eastern Region	8,757,468	7,861,683
Northern Region	7,431,066	6,673,024
Southern Region	9,416,361	8,278,422
East Malaysia Region	4,248,569	3,616,145
	55,598,596	50,223,969

(f) By sector

Primary agriculture	1,044,451	1,266,687
Mining and quarrying	67,305	38,712
Manufacturing (including agro-based)	1,001,272	881,445
Electricity, gas and water supply	2,032,684	1,863,658
Wholesale & retail trade, and restaurants & hotels	951,149	927,772
Construction	2,736,468	2,238,954
Transport, storage and communications	681,659	918,959
Finance, insurance, real estate and business activities	4,557,954	3,731,211
Education, health and others	1,168,902	1,126,374
Household sectors	41,356,752	37,230,197
	55,598,596	50,223,969

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8 FINANCING, ADVANCES AND OTHERS (CONTINUED)

(g) Movement in impaired financing and advances ("impaired financing")

	Group	
	2020 RM'000	2019 RM'000
At 1 January	433,001	425,937
Classified as impaired during the year	311,012	701,221
Reclassified as not impaired during the year	(190,989)	(372,172)
Amount recovered	(67,114)	(97,001)
Amount written off	(112,676)	(224,984)
At 31 December	373,234	433,001
Gross impaired financing as a percentage of gross financing, advances and others	0.67%	0.86%

The contractual amount outstanding on financing and advances that were written off during the year are still subject to enforcement activity.

(h) Impaired financing by geographical distribution

Central Region	174,617	181,730
Eastern Region	86,291	101,743
Northern Region	78,220	79,976
Southern Region	19,167	47,527
East Malaysia Region	14,939	22,025
	373,234	433,001

(i) Impaired financing by sector

Manufacturing (including agro-based)	28,328	45,715
Wholesale & retail trade, and restaurants & hotels	89,812	97,043
Construction	36,220	29,361
Transport, storage and communications	17,801	10,217
Finance, insurance, real estate and business activities	6,141	8,125
Education, health and others	3,969	8,179
Household sectors	190,963	234,361
	373,234	433,001

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

8 FINANCING, ADVANCES AND OTHERS (CONTINUED)

(j) Movement of allowance for impairment on financing, advances and others

Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	416,450	129,402	243,853	789,705
Transfer to Stage 1	1,931	(1,798)	(133)	–
Transfer to Stage 2	(6,868)	9,175	(2,307)	–
Transfer to Stage 3	(461)	(8,696)	9,157	–
Net allowance made during the year	(59,446)	45,272	149,340	135,166
New financial assets originated or purchased	127,923	2,567	2,411	132,901
Financial assets that have been derecognised	(44,291)	(27,807)	(5,140)	(77,238)
Write-offs	–	–	(224,984)	(224,984)
Exchange differences	(4,103)	–	–	(4,103)
At 31 December 2019/ 1 January 2020	431,135	148,115	172,197	751,447
Transfer to Stage 1	1,245	(1,179)	(66)	–
Transfer to Stage 2	(7,782)	10,508	(2,726)	–
Transfer to Stage 3	(264)	(7,659)	7,923	–
Net allowance made during the year	134,059	13,592	60,558	208,209
New financial assets originated or purchased	139,295	6,403	686	146,384
Financial assets that have been derecognised	(44,708)	(18,334)	(3,364)	(66,406)
Write-offs	–	–	(112,676)	(112,676)
Exchange differences	1,003	–	–	1,003
At 31 December 2020	653,983	151,446	122,532	927,961

(k) Effect of modifications on the measurement of allowance for impaired financing, advances and others

The following table discloses information on financing and advances that were modified but not derecognised during the year, for which the allowance for impaired financing, advances and others were measured at a lifetime ECL at the beginning of the year, and at the end of the year had changed to a 12-months ECL:

	Group	
	2020 RM'000	2019 RM'000
Amortised cost before the modification	431	10,405
Gross carrying amount at end of reporting period	439	10,268

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

9 OTHER FINANCIAL ASSETS AT AMORTISED COST

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Takaful receivables		309,446	210,270	–	–
- Due contributions		260,500	162,632	–	–
- Due from retakaful/co-takaful		48,946	47,638	–	–
Clients' and dealers' debit balances		26,012	23,147	–	–
Deposits and prepayments		57,115	45,998	497	473
Amount due from subsidiaries*		–	–	157	396
Investment profit receivable		113,552	95,591	–	–
Other financing		16,112	80,925	–	–
Sukuk		5,289	5,684	–	–
Dividend receivables		–	–	58,986	98,310
Other receivables		173,674	137,338	729	4,289
		701,200	598,953	60,369	103,468
Less: Allowance for impairment					
Stage 3					
– Takaful receivables	49.3(iv)	(6,475)	(6,591)	–	–
– Sukuk		(5,289)	(5,684)	–	–
– Other receivables		(2,975)	(5,475)	–	–
		686,461	581,203	60,369	103,468

* Amount due from subsidiaries are non-trade in nature, not subject to financing charges and has no fixed term of repayments.

10 RETAKAFUL ASSETS

	Note	Group	
		2020 RM'000	2019 RM'000
– Claims liabilities	22(a)	518,298	349,548
– Contribution liabilities	22(b)	113,784	90,634
– Actuarial liabilities	22(c)	346,120	315,614
		978,202	755,796

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts are shown in the statements of financial position, after offsetting:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets	32,981	69,728	10	10
Deferred tax liabilities	(74,445)	–	–	–
	(41,464)	69,728	10	10

The components of deferred tax assets and liabilities during the financial year are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Deferred tax assets:				
Investment properties	1,830	–	–	–
Unabsorbed capital allowances	10	634	10	10
Provisions	36,006	39,078	–	–
Tax losses	2,726	1,510	–	–
Expense reserves	39,400	37,702	–	–
Impairment allowances	86,504	33,108	–	–
Leases	24,540	23,142	–	–
Set off of tax	(158,035)	(65,446)	–	–
Total deferred tax assets	32,981	69,728	10	10
Deferred tax liabilities:				
Property and equipment	(7,928)	(3,706)	–	–
Change in fair value reserve	(48,379)	(53,871)	–	–
Other investments	(12,843)	(7,869)	–	–
Deferred income from moratorium	(163,330)	–	–	–
Set off of tax	158,035	65,446	–	–
Total deferred tax liabilities	(74,445)	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12 DEFERRED TAXATION (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2020 RM'000	2019 RM'000
Unabsorbed capital allowances	131,819	131,819
Unutilised tax losses	1,251	1,251
Deductible temporary differences	329	329
	133,399	133,399

Under the current tax legislation, the unutilised tax losses will expire in year 2025 where the unutilised capital allowance do not expire.

The Group's unabsorbed capital allowances of RM131,784,000 (2019: RM131,784,000) in respect of its leasing business whereby management considered it uncertain whether Bank Islam Malaysia Berhad is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

12 DEFERRED TAXATION (CONTINUED)

The movement in temporary differences during the year are as follows:

Group	As at 1.1.2019		Recognised in other comprehensive income		Effect on movement in exchange rate		As at 31.12.2019/01.01.2020		Recognised in other comprehensive income		Effect on movement in exchange rate		As at 31.12.2020	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other investment	3,452	(5,024)	(6,300)	3	(7,869)	(2,504)	(2,467)	(3)	(12,843)					
Unabsorbed capital allowances	1,292	(658)	-	-	634	(624)	-	10						
Provisions	34,297	5,052	39	(310)	39,078	(3,140)	134	36,006						
Tax losses	1,308	202	-	-	1,510	1,216	-	2,726						
Expense reserves	34,394	3,308	-	-	37,702	1,698	-	39,400						
Impairment allowances	26,860	6,248	-	-	33,108	53,396	-	86,504						
Leases	21,258	1,884	-	-	23,142	1,398	-	24,540						
Property and equipment	(6,657)	2,951	-	-	(3,706)	(4,221)	-	(7,928)						
Investment properties	-	-	-	-	-	1,830	-	1,830						
Change in fair value reserve	(831)	-	(53,040)	-	(53,871)	-	5,492	(48,379)						
Deferred income from moratorium	-	-	-	-	-	(163,330)	-	(163,330)						
Total	115,373	13,963	(59,301)	(307)	69,728	(114,281)	3,159	(70)	(41,464)					

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The statement of financial position shows the following amounts relating to leases:

	Group	
	2020 RM'000	2019 RM'000
Right-of-use assets:		
Properties	228,424	249,484
Equipment	765	959
	229,189	250,443
Lease liabilities	314,186	328,062

During the 2020 financial year, there were additions of RM890,000 (2019: RM10,207,000) to the right-of-use assets and RM1,472,000 (2019: Nil) reversal to the right-of-use assets.

Included in property and equipment, there is RM22,346,000 (2019: RM22,662,000) of right-of-use assets in relation to leasehold land and building.

The statements of profit or loss shows the following amount relating to leases:

	Note	Group	
		2020 RM'000	2019 RM'000
Depreciation charge on right-of-use assets:			
Properties		19,942	16,894
Equipment		635	638
		20,577	17,532
Finance cost	40	17,971	18,243
Expenses relating to short-term leases and leases of low-value assets		35,968	37,316
Total cash outflow for leases		67,172	63,880

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
At cost		
Quoted shares in Malaysia	99,053	99,053
Unquoted shares in Malaysia	5,503,792	5,210,042
Less: Impairment loss [^]	(31,321)	(4,822)
	5,571,524	5,304,273

[^] During the financial year ended 31 December 2020, the Company has made an impairment of RM14.7 million on its investment in BIMB Securities Sdn. Bhd. and RM11.8 million on its investment in BIMB Securities (Holdings) Sdn. Bhd. due to lower than expected performance of the subsidiaries. The recoverable amount of investment in BIMB Securities Sdn. Bhd. is RM34.9 million based on value in use and was determined using discount rate of 7.86% on a post-tax basis. BIMB Securities (Holdings) Sdn. Bhd.'s recoverable amount is equivalent to the net tangible assets.

Details of the subsidiaries are as follows:

Name of Company	Principal activities	Effective Ownership Interest	
		2020 %	2019 %
Bank Islam Malaysia Berhad ("Bank Islam" or "the Bank")	Islamic banking business	100	100
<i>Subsidiaries of Bank Islam Malaysia Berhad</i>			
BIMB Investment Management Berhad	Managing Islamic Unit Trust Funds	100	100
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provide nominee services	100	100
Farihan Corporation Sdn. Bhd.	Provide manpower for the provision of services in the relevant areas	100	100
Bank Islam Trust Company (Labuan) Ltd.	Provide services as Labuan registered trust company	100	100
<i>Subsidiary of Bank Islam Trust Company (Labuan) Ltd.</i>			
BIMB Offshore Company Management Services Sdn. Bhd.	Resident Corporate Secretary and Director for Offshore Companies	100	100
Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia")	Family and General Takaful business	59.19	59.45
<i>Subsidiaries of Syarikat Takaful Malaysia Keluarga Berhad</i>			
Syarikat Takaful Malaysia Am Berhad	General Takaful business	100	100
P.T. Syarikat Takaful Indonesia*#	Investment holding	56	56

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (continued)

Name of Company	Principal activities	Effective Ownership Interest	
		2020	2019
		%	%
<i>Subsidiary of P.T. Syarikat Takaful Indonesia</i>			
P.T. Asuransi Takaful Keluarga*#	Family Takaful business	74.80	74.80
BIMB Securities (Holdings) Sdn. Bhd.	Investment holding	100	100
<i>Subsidiary of BIMB Securities (Holdings) Sdn. Bhd.</i>			
BIMB Securities Sdn. Bhd.	Stockbroking	100	100
<i>Subsidiaries of BIMB Securities Sdn. Bhd.</i>			
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
BIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
Syarikat Al-Ijarah Sdn. Bhd.	Leasing of assets	100	100

* Incorporated in Indonesia.

Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Syarikat Takaful Malaysia Keluarga Berhad	
	2020	2019
NCI percentage of ownership interest and voting interest	40.81%	40.55%
Carrying amount of NCI (RM'000)	648,742	523,711
Profit allocated to NCI (RM'000)	147,654	148,449

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information before intra-group elimination

	Syarikat Takaful Malaysia Keluarga Berhad	
	2020 RM'000	2019 RM'000
As at 31 December		
Assets	11,690,342	10,254,080
Liabilities	(10,172,586)	(9,022,673)
Net Assets	1,517,756	1,231,407
Year ended 31 December		
Operating revenue	1,687,232	1,788,424
Profit for the year	363,160	366,551
Total comprehensive income	369,429	387,800
Cash flows from operating activities	278,263	(113,306)
Cash flows used in investing activities	(164,380)	(9,128)
Cash flows used in financing activities	(714)	(289,703)
Net increase in cash and cash equivalents	113,169	(412,137)
Dividends paid to NCI	67,048	49,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15 PROPERTY AND EQUIPMENT

Group	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Building improvement and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Total RM'000
Cost										
At 1 January 2020	50,890	139,335	14,784	11,328	43,870	173,687	109,471	2,328	581,969	1,127,662
Additions	-	-	-	-	3,223	4,122	4,772	317	88,629	101,063
Reclassifications	-	-	-	-	(2,399)	1,782	351	-	266	-
Disposals	-	-	-	-	-	(848)	(208)	(317)	(1,355)	(2,728)
Written-off	-	-	-	-	(749)	(2,770)	(4,391)	-	(13,584)	(21,494)
Exchange difference	-	-	-	-	-	(5)	(25)	(14)	(80)	(124)
At 31 December 2020	50,890	139,335	14,784	11,328	43,945	175,968	109,970	2,314	655,845	1,204,379
Accumulated depreciation										
At 1 January 2020	-	25,287	2,174	1,276	30,391	136,048	96,255	1,622	438,750	731,803
Depreciation for the year	-	2,807	174	142	1,952	10,113	6,173	244	47,181	68,786
Reclassifications	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(848)	(208)	(190)	(1,340)	(2,586)
Written-off	-	-	-	-	(583)	(2,092)	(4,342)	-	(13,552)	(20,569)
Exchange difference	-	-	-	-	-	(5)	(20)	(9)	(48)	(82)
At 31 December 2020	-	28,094	2,348	1,418	31,760	143,216	97,858	1,667	470,991	777,352
Net carrying amount										
At 31 December 2020	50,890	111,241	12,436	9,910	12,185	32,752	12,112	647	184,854	427,027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Building improvement and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Total RM'000
Cost										
At 1 January 2019	50,890	139,335	14,784	41,145	42,804	167,749	106,206	2,522	537,573	1,103,008
Additions	-	-	-	20	4,855	5,338	4,123	-	50,219	64,555
Reclassifications	-	-	-	(30,217)	(3,521)	2,644	607	-	270	(30,217)
Disposals	-	-	-	-	-	(1,160)	(190)	-	(5,000)	(6,350)
Written-off	-	-	-	-	(268)	(783)	(1,002)	(3)	(296)	(2,352)
Exchange difference	-	-	-	380	-	(101)	(273)	(191)	(797)	(982)
At 31 December 2019	50,890	139,335	14,784	11,328	43,870	173,687	109,471	2,328	581,969	1,127,662
Accumulated depreciation										
At 1 January 2019	-	22,481	2,000	11,010	28,553	127,279	91,112	1,694	403,104	687,233
Depreciation for the year	-	2,806	174	1,239	2,094	10,823	6,587	245	41,674	65,642
Reclassifications	-	-	-	(11,208)	-	-	-	-	-	(11,208)
Disposals	-	-	-	-	-	(1,158)	(187)	-	(5,000)	(6,345)
Written-off	-	-	-	-	(256)	(756)	(983)	(3)	(263)	(2,261)
Exchange difference	-	-	-	235	-	(140)	(274)	(314)	(765)	(1,258)
At 31 December 2019	-	25,287	2,174	1,276	30,391	136,048	96,255	1,622	438,750	731,803
Net carrying amount										
At 31 December 2019	50,890	114,048	12,610	10,052	13,479	37,639	13,216	706	143,219	395,859

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

Company	Furniture, fixtures and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Office equipment and computer RM'000	Total RM'000
2020					
Cost					
At 1 January 2020	1,099	1,518	415	1,067	4,099
Additions	–	–	–	84	84
At 31 December 2020	1,099	1,518	415	1,151	4,183
Accumulated depreciation					
At 1 January 2020	1,097	1,397	415	779	3,688
Depreciation for the year	1	17	–	96	114
At 31 December 2020	1,098	1,414	415	875	3,802
Net carrying amount					
At 31 December 2020	1	104	–	276	381
2019					
Cost					
At 1 January 2019	1,099	1,518	415	946	3,978
Additions	–	–	–	134	134
Written-off	–	–	–	(13)	(13)
At 31 December 2019	1,099	1,518	415	1,067	4,099
Accumulated depreciation					
At 1 January 2019	1,096	1,380	415	705	3,596
Depreciation for the year	1	17	–	78	96
Written-off	–	–	–	(4)	(4)
At 31 December 2019	1,097	1,397	415	779	3,688
Net carrying amount					
At 31 December 2019	2	121	–	288	411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16 INVESTMENT PROPERTIES

Group	Freehold land RM'000	Freehold building RM'000	Leasehold land and building RM'000	Total RM'000
2020				
Cost				
At 1 January 2020	1,897	2,253	7,384	11,534
Exchange difference	-	-	(8)	(8)
At 31 December 2020	1,897	2,253	7,376	11,526
Accumulated depreciation				
At 1 January 2020	-	405	539	944
Depreciation for the year	-	45	69	114
Exchange difference	-	-	(4)	(4)
At 31 December 2020	-	450	604	1,054
At 31 December 2020	1,897	1,803	6,772	10,472
2019				
Cost				
At 1 January 2019	1,897	2,253	7,373	11,523
Exchange difference	-	-	11	11
At 31 December 2019	1,897	2,253	7,384	11,534
Accumulated depreciation				
At 1 January 2019	-	360	465	825
Depreciation for the year	-	45	69	114
Exchange difference	-	-	5	5
At 31 December 2019	-	405	539	944
At 31 December 2019	1,897	1,848	6,845	10,590

The investment properties are leased to tenants under operating leases with rentals payable on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16 INVESTMENT PROPERTIES (CONTINUED)

The following are amounts arising from investment properties that have been recognised in profit or loss during the financial year:

	Group	
	2020 RM'000	2019 RM'000
Rental income (net of direct operating expenses)	5,382	5,399
		Level 3 RM'000
2020		
Freehold land and buildings		2,690
Leasehold land and buildings		10,087
		12,777
2019		
Freehold land and buildings		2,680
Leasehold land and buildings		10,062
		12,742

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Fair value information

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of land and buildings have been generally 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.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16 INVESTMENT PROPERTIES (CONTINUED)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method: The valuation method consider the sales and listing of comparable properties recorded in the area and adjustments are made between the subject properties and those similar properties. The adjustments are made in relation to location and accessibility, size and shape of the lot, physical features, legal and legislation constraints, building design and condition, supply and demand, building code and public restriction.	Adjustment rate based on the comparable sales in the past that was analysed by the National Property Information Centre (NAPIC) under Valuation and Property Services Department, Ministry of Finance Malaysia.	The estimated fair value would increase/(decrease) if: <ul style="list-style-type: none"> – the rate were higher or lower – the historical sales transaction value were higher or lower
Investment method: The valuation method involves estimating the current rental income that can accrue to the subject properties.	<ul style="list-style-type: none"> - Term yield - Reversionary yield 	The estimated fair value would increase/(decrease) if the yield were lower or higher.

Valuation processes applied by the Group for Level 3 fair value

The Group's investment properties were valued by independent professional valuer firms, using the comparison, cost and investment methods of valuations, where applicable.

In the comparison method approach, the sales and listings of comparable properties within nearby locations are compiled. From the compiled data, adjustments are made by the valuers between the subject property and those similar properties.

The adjustments made are in relation to location, size and shape of the lot, physical features, legal and legislative constraints, building design and condition, time element, planning provision, improvements and renovation works made, if any, surrounding developments, facilities and amenities available and other factors that may affect the value of the subject property. These adjustments are therefore subject to uncertainties such as property market outlook, potential increases in rental rates and general economic conditions.

In the cost method approach, the indication of values consists of the sum of the present worth of the improvement value.

For the valuation of the improvements, the valuers have considered the following:

- (i) Cost of replacement of the building in accordance with current trend of market prices for materials, labour, contractor's overhead, profit and fees;
- (ii) Accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with new units of like kind; and
- (iii) Extent, character and utility of the property.

The investment method is the capitalisation of net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

The external valuers have considered the results of all these three methods in their valuation and applied professional judgement in the selection of the fair value of these investment properties.

During the year, the external valuers performed an update of the market values of these investment properties in arriving at the fair value, after considering the properties' existing condition. In the previous financial year, the external valuers have considered the results of all these three methods in their valuation and applied professional judgement in the selection of the fair value of these investment properties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17 INTANGIBLE ASSETS

	Note	Software RM'000	Group Bancatakaful Service Fees RM'000	Total RM'000
Syarikat Takaful Malaysia Keluarga Berhad				
2020				
Cost				
At 1 January 2020		2,189	148,821	151,010
Additions		5,676	151,000	156,676
Expiry of bancatakaful service agreement	17(i)	–	(61,321)	(61,321)
At 31 December 2020		7,865	238,500	246,365
Amortisation				
At 1 January 2020		(97)	(82,425)	(82,522)
Amortisation during the year	39	(269)	(33,708)	(33,977)
Expiry of bancatakaful service agreement	17(i)	–	61,321	61,321
At 31 December 2020		(366)	(54,812)	(55,178)
Carrying amounts				
At 31 December 2020		7,499	183,688	191,187
2019				
Cost				
At 1 January 2019		–	146,321	146,321
Additions		2,189	2,500	4,689
At 31 December 2019		2,189	148,821	151,010
Amortisation				
At 1 January 2019		–	(52,953)	(52,953)
Amortisation during the year	39	(97)	(29,472)	(29,569)
At 31 December 2019		(97)	(82,425)	(82,522)
Carrying amounts				
At 31 December 2019		2,092	66,396	68,488

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

17 INTANGIBLE ASSETS (CONTINUED)

The intangible assets, other than software, are in relation to the followings:

- (i) Bancatakaful Service Agreement with RHB Islamic Bank (RHB) pursuant to the term of the Bancatakaful Service Agreement (the Agreement) entered on 26 August 2015, whereby the Company can distribute its Family takaful products via RHB Islamic Bank's distribution channel.

The term of the Agreement is divided over two periods, where the First Period is for the five years of the term commencing on the agreement date and the Second Period is for the subsequent five years. Either Party has the right to terminate the Agreement at the expiry of the First Period. The First Period of the Agreement has expired on 31 July 2020 and the Agreement is terminated thereafter.

- (ii) Bancatakaful Service Agreement with Affin Islamic Bank Berhad which is effective from 15 September 2017 to distribute Family takaful products via their distribution channel.
- (iii) Bancatakaful Service Agreement with Bank Kerjasama Rakyat Malaysia Berhad which is effective from 1 July 2018 to distribute Family takaful products via their distribution channel.
- (iv) Bancatakaful Service Agreement with AEON Credit Service (M) Berhad which is effective from 1 August 2019 to distribute Family takaful products via their distribution channel.
- (v) Two Bancatakaful Service Agreement with RHB which are effective from 1 August 2020 to distribute Family credit takaful products and General takaful products via their distribution channel.

The intangible assets are amortised over its useful life of five years using the straight-line method or units-of-production method respectively. In the impairment assessment conducted, the future economic benefits that are attributable to all of the Bancatakaful Service Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement using the discounting cash flow model.

The following key assumptions have been used in cash flow projections in respect of the Bancatakaful Service Agreement:

Key assumptions

	2020	2019
Discount rate – pre tax	11%	11%

Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

18 DEPOSITS FROM CUSTOMERS

(a) By type of deposit

	Group	
	2020 RM'000	2019 RM'000
Savings deposits		
<i>Qard</i>	6,051,242	4,681,710
Demand deposits		
<i>Qard</i>	11,705,512	10,932,557
Term deposits	32,663,484	31,033,213
Special Investment Deposit <i>Mudharabah</i>	3,662	3,915
General Investment Deposit <i>Mudharabah</i>	176,359	209,693
Term Deposit-i <i>Tawarruq</i>	30,996,552	29,828,055
Negotiable Islamic Debt Certificates ("NIDC")	1,486,911	991,550
Others	120,107	105,234
Total deposits	50,540,345	46,752,714
(b) Maturity structure of term deposits are as follows:		
Due within six months	18,012,901	12,084,789
More than six months to one year	9,616,026	7,183,724
More than one year to three years	2,261,549	9,056,935
More than three years to five years	2,773,008	2,707,765
	32,663,484	31,033,213
(c) By type of customer		
Domestic non-bank financial institutions	6,364,914	7,167,970
Business enterprises	20,921,604	19,656,635
Government and statutory bodies	13,033,032	11,479,529
Individuals	7,042,432	5,893,922
Domestic banking institutions	718,962	149,839
Others	2,459,401	2,404,819
	50,540,345	46,752,714

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

19 INVESTMENT ACCOUNTS OF CUSTOMERS

(a) By type and Shariah contract

	Group	
	2020 RM'000	2019 RM'000
Unrestricted investment accounts		
Without maturity:		
<i>Mudharabah</i>	5,113,275	3,211,343
– <i>Savings</i>	4,446,643	2,880,046
– <i>Demands</i>	666,632	331,297
With maturity:		
<i>Wakalah</i>	6,908,837	6,586,200
	12,022,112	9,797,543
Restricted investment accounts ("RA") managed by Bank Islam ^		
With maturity:		
<i>Wakalah</i>	11,915	35,062

^ Included in RA managed by Bank Islam is an arrangement between Bank Islam and its ultimate holding entity where Bank Islam acts as the investment agent to manage and administer the RA with underlying assets amounting to RM11,915,000 (2019: RM35,062,000).

(b) By type of customer

	Group	
	2020 RM'000	2019 RM'000
Government and statutory bodies	4,385,196	3,747,895
Business enterprises	1,130,539	769,038
Individuals	4,840,308	3,448,415
Non-bank financial institutions	1,514,680	1,739,850
International Islamic Bank	–	10,001
Others	151,389	82,344
	12,022,112	9,797,543

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

19 INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(c) Movement of investment accounts of customers

Group	Unrestricted investment accounts			Restricted Investment Accounts
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	Wakalah RM'000
As at 1 January 2019	2,594,846	2,442,807	5,037,653	78,717
<i>Funding inflows/(outflows):</i>				
Net movement	606,511	–	606,511	–
New placement	–	5,100,994	5,100,994	–
Redemption/Principal repayment	–	(1,112,542)	(1,112,542)	(48,030)
Income from investment	148,478	231,833	380,311	4,821
<i>Bank Islam's share of profit:</i>				
Profit distributed to Mudharib	(138,492)	–	(138,492)	–
Wakalah fees	–	(76,892)	(76,892)	(446)
As at 31 December 2019/1 January 2020	3,211,343	6,586,200	9,797,543	35,062
<i>Funding inflows/(outflows):</i>				
Net movement	1,891,324	–	1,891,324	–
New placement	–	4,090,705	4,090,705	–
Redemption/Principal repayment	–	(3,969,530)	(3,969,530)	(23,849)
Income from investment	167,812	323,276	491,088	1,278
<i>Bank Islam's share of profit:</i>				
Profit distributed to Mudharib	(157,204)	–	(157,204)	–
Wakalah fees	–	(121,814)	(121,814)	(576)
As at 31 December 2020	5,113,275	6,908,837	12,022,112	11,915
<i>Investment portfolio:</i>				
2019				
House financing	3,211,343	3,293,385	6,504,728	–
Personal financing	–	3,292,815	3,292,815	–
Other term financing	–	–	–	35,062
	3,211,343	6,586,200	9,797,543	35,062
2020				
House financing	5,113,275	3,454,419	8,567,694	–
Personal financing	–	3,454,418	3,454,418	–
Other term financing	–	–	–	11,915
	5,113,275	6,908,837	12,022,112	11,915

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

19 INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(d) By maturity structures, profit sharing ratio and rate of return

	Investment account holders			
	Total amount RM'000	Average profit sharing ratio %	Average rate of return %	Bank Islam's Wakalah fee %
2020				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
– Mudharabah	5,113,275	2	0.25	–
– Wakalah	2,545,284	–	2.44	1.84
	7,658,559			
<i>Between 3 to 12 months</i>				
– Wakalah	4,334,994	–	3.03	1.24
<i>Between 1 to 2 years</i>				
– Wakalah	28,559	–	3.23	1.04
	12,022,112			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	11,915	–	3.70	2.36
2019				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
– Mudharabah	3,211,343	2	0.34	–
– Wakalah	1,652,475	–	3.86	1.42
	4,863,818			
<i>Between 3 to 12 months</i>				
– Wakalah	4,933,725	–	3.60	1.68
	9,797,543			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	35,062	–	2.83	0.75

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

20 RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

Recourse obligations on financing sold to Cagamas represents house financing accounts that were sold to Cagamas with recourse. Under the agreement, Bank Islam ("the Bank") undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing are not de-recognised and are analysed in Note 8.

21 OTHER LIABILITIES

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Takaful payables	49.5(b)	232,529	175,351	–	–
– Due to retakaful companies		197,729	141,931	–	–
– Due to Intermediaries/Participants		34,800	33,420	–	–
Other payables		739,047	607,299	2,295	2,271
Advance payments		680,508	437,053	–	–
Accruals		98,784	164,717	–	–
Amount due to subsidiaries*		–	–	–	11
Clients' and dealers' credit balances		25,376	23,036	–	–
Dividend payable		225,876	282,285	225,876	282,285
		2,002,120	1,689,741	228,171	284,567

* The amount due to subsidiaries is non-trade, unsecured, not subject to financing charge and are repayable on demand.

Also included in other payables is an amount under Government financing scheme for the purpose of SME financing at a concessionary rate, repayable in February 2029.

22 TAKAFUL CONTRACT LIABILITIES

	Note	Group	
		2020 RM'000	2019 RM'000
Provision for outstanding claims	22(a)	919,091	703,598
Provision for unearned contributions	22(b)	465,734	394,340
Participants' fund	22(c)	7,771,783	7,099,218
Takaful contract liabilities		9,156,608	8,197,156

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Provision for outstanding claims

The provision for outstanding claims and its movements are further analysed as follows:

	Note	2020		
		Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful				
Provision for claims reported by participants		45,886	(10,103)	35,783
Provision for IBNR*		173,595	(51,430)	122,165
Provision for outstanding claims		<u>219,481</u>	<u>(61,533)</u>	<u>157,948</u>
General Takaful				
Provision for claims reported by participants		434,985	(313,047)	121,938
Provision for IBNR*		264,625	(143,718)	120,907
Provision for outstanding claims		<u>699,610</u>	<u>(456,765)</u>	<u>242,845</u>
		Note 50(b)		Note 50(b)
Group				
Provision for claims reported by participants	49.5(b)	480,871	(323,150)	157,721
Provision for IBNR*		438,220	(195,148)	243,072
Provision for outstanding claims		<u>919,091</u>	<u>(518,298)</u>	<u>400,793</u>
			Note 10	

* Incurred-but-not-reported ("IBNR")

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Provision for outstanding claims (continued)

	Note	2019		
		Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful				
Provision for claims reported by participants		39,182	(8,493)	30,689
Provision for IBNR*		133,692	(45,417)	88,275
Provision for outstanding claims		172,874	(53,910)	118,964
General Takaful				
Provision for claims reported by participants		302,067	(190,182)	111,885
Provision for IBNR*		228,657	(105,456)	123,201
Provision for outstanding claims		530,724	(295,638)	235,086
	Note 50(b)			Note 50(b)
Group				
Provision for claims reported by participants	49.5(b)	341,249	(198,675)	142,574
Provision for IBNR*		362,349	(150,873)	211,476
Provision for outstanding claims		703,598	(349,548)	354,050
			Note 10	

* Incurred-but-not-reported ("IBNR")

Movement of provision for outstanding claims:

	Group		
	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2019	633,725	(296,534)	337,191
Claims incurred during the year	1,270,364	(282,781)	987,583
Adjustment to claims incurred in prior accident years	(25,540)	27,126	1,586
Claims paid during the year	(1,198,289)	226,870	(971,419)
Movement in IBNR	23,219	(24,179)	(960)
Effect of movement in exchange rates	119	(50)	69
At 31 December 2019/1 January 2020	703,598	(349,548)	354,050
Claims incurred during the year	1,194,668	(335,530)	859,138
Adjustment to claims incurred in prior accident years	(11,733)	9,941	(1,792)
Claims paid during the year	(1,043,282)	201,100	(842,182)
Movement in IBNR	75,918	(44,299)	31,619
Effect of movement in exchange rates	(78)	38	(40)
At 31 December 2020	919,091	(518,298)	400,793
		Note 10	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(b) Provision for unearned contributions

The provision for unearned contributions and its movements are further analysed as follows:

	Group		
	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2020	465,734	(113,784)	351,950
		(Note 10)	
31.12.2019	394,340	(90,634)	303,706
		Note 10	

Movement of provision for unearned contributions:

	Group		
	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2019	376,971	(76,884)	300,087
Contributions written during the year	723,511	(290,365)	433,146
Contributions earned during the year	(706,142)	276,615	(429,527)
At 31 December 2019/1 January 2020	394,340	(90,634)	303,706
Contributions written during the year	827,892	(342,463)	485,429
Contributions earned during the year	(756,498)	319,313	(437,185)
At 31 December 2020	465,734	(113,784)	351,950

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Participants' fund

Participants' fund balance at end of the reporting period comprises the following:

	Gross RM'000	Retakaful RM'000	Group Net RM'000
31.12.2020			
Participants' account	4,090,835	–	4,090,835
Actuarial liabilities	1,880,726	(346,120)	1,534,606
Unallocated surplus/accumulated surplus	1,241,851	–	1,241,851
Fair value reserve	346,328	–	346,328
Net assets value attributable to unitholders	212,043	–	212,043
	7,771,783	(346,120)	7,425,663
		Note 10	
31.12.2019			
Participants' account	3,663,688	–	3,663,688
Actuarial liabilities	1,929,616	(315,614)	1,614,002
Unallocated surplus/accumulated surplus	1,029,093	–	1,029,093
Fair value reserve	273,331	–	273,331
Net assets value attributable to unitholders	203,490	–	203,490
	7,099,218	(315,614)	6,783,604
		Note 10	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

22 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(c) Participants' fund (continued)

The participants' fund movements are analysed as follows:

	2020			Group 2019		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January	7,099,218	(315,614)	6,783,604	6,062,086	(163,719)	5,898,367
Net earned contributions	2,194,094	(121,798)	2,072,296	2,471,876	(117,589)	2,354,287
Investment income on financial assets not measured at FVTPL	283,211	–	283,211	267,711	–	267,711
Investment income – others	33,484	–	33,484	41,427	–	41,427
Realised gains and losses	30,329	–	30,329	13,366	–	13,366
Fair value gains and losses	17,005	–	17,005	31,050	–	31,050
Other operating income	518	–	518	3,143	–	3,143
Net benefits and claims	(1,005,071)	99,999	(905,072)	(1,104,610)	100,730	(1,003,880)
Fees deducted (net)	(809,010)	–	(809,010)	(963,022)	–	(963,022)
Impairment losses on financial instruments	(2,545)	–	(2,545)	(1,286)	–	(1,286)
Other operating expenses	(4,405)	–	(4,405)	(4,871)	–	(4,871)
Profit paid to participants	(13,429)	–	(13,429)	(11,815)	–	(11,815)
Movement in actuarial liabilities	26,064	(31,201)	(5,137)	145,644	(151,137)	(5,493)
Profit attributable to the Takaful Operator	(114,863)	21,797	(93,066)	(83,534)	16,859	(66,675)
Excess payment transferred to participants	(6,085)	–	(6,085)	(6,362)	–	(6,362)
Net change in fair value on debt instruments at FVOCI	72,819	–	72,819	243,553	–	243,553
Tax expense	(14,426)	–	(14,426)	(13,072)	–	(13,072)
Withholding tax	(6,501)	–	(6,501)	(4,876)	–	(4,876)
Effect of movement in exchange rates	(8,624)	697	(7,927)	12,810	(758)	12,052
At 31 December	7,771,783	(346,120)	7,425,663	7,099,218	(315,614)	6,783,604

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

23 EXPENSE RESERVES

	Group	
	2020 RM'000	2019 RM'000
At 1 January	311,700	251,806
Provision for the year, net	5,275	59,588
Effect of movement in exchange rates	(247)	306
At 31 December	316,728	311,700

24 SUKUK LIABILITIES

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sukuk liabilities	(i)	919,947	881,093	919,947	881,093
Subordinated Sukuk Murabahah	(ii)	1,713,164	1,258,573	–	–
		2,633,111	2,139,666	919,947	881,093

The Sukuk liabilities comprise the following:

- (i) The 10-year Islamic securities of RM1.05 billion (2019: RM1.05 billion) in nominal value issued by the Company on 12 December 2013. The effective rate of the Islamic securities is 6.25% p.a.

On 12 December 2018, the Company has made an early partial redemption of RM609,941,757 in nominal value of the Sukuk Murabahah at a cash consideration of RM500 million.

- (ii) The Subordinated Sukuk Murabahah comprise the following:

	<u>Nominal value</u> RM'000	<u>Issue date</u>	<u>First call date*</u>	<u>Maturity date</u>	<u>Profit rate</u> (% p.a.)#
(a)	300,000	22 April 2015	22 April 2020	22 April 2025	5.75
(b)	400,000 [^]	15 December 2015	15 December 2020	15 December 2025	5.50
(c)	300,000	13 November 2017	12 December 2022	12 November 2027	5.08
(d)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15
(e)	400,000	26 March 2020	26 March 2025	26 March 2030	3.75
(f)	700,000	21 October 2020	21 October 2025	21 October 2030	3.60

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

[^] Included RM50 million subscription by Syarikat Takaful Malaysia Keluarga Berhad.

The Subordinated Sukuk Murabahah qualifies as Tier II capital for the computation of the regulatory capital of Bank Islam Malaysia Berhad in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

25 SHARE CAPITAL

	Note	Group and Company	
		Number of shares '000	Amount RM'000
Ordinary shares at 1 January 2019		1,693,566	4,082,939
Issue of shares pursuant to Dividend Reinvestment Plan	25(a)	70,717	224,880
Ordinary shares at 31 December 2019/1 January 2020		1,764,283	4,307,819
Issue of shares pursuant to Dividend Reinvestment Plan	25(a)	28,381	104,442
At 31 December 2020		1,792,664	4,412,261

(a) Ordinary shares

On 22 January 2020, the Company increased its issued and paid-up capital from 1,764,282,714 to 1,792,663,814 via the issuance of 28,381,100 new ordinary shares at a consideration of RM3.68 each arising from the Dividend Reinvestment Plan.

On 29 January 2019, the Company increased its issued and paid-up share capital from 1,693,566,014 to 1,764,282,714 via the issuance of 70,716,700 new ordinary shares at a consideration of RM3.18 each arising from the Dividend Reinvestment Plan.

(b) Warrants

The detachable warrants are at an issue price of RM4.25 per rights share on the basis of two (2) rights share together with two (2) warrants for every five (5) existing shares.

On 11 December 2013, the Company issued 426,715,958 new ordinary shares of RM1.00 each together with 426,715,958 free detachable warrants at the agreed conversion term. The warrants will expire at the end of ten years from the date of issuance.

No warrants were converted during the financial year ended 31 December 2020 (2019: Nil).

As at 31 December 2020, 426,715,078 (2019: 426,715,078) warrants remained unexercised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

26 RESERVES

26.1 Breakdown of reserves are as follows:

	Note	Group	
		2020 RM'000	2019 RM'000
Other reserves	26.2	269,005	282,726
Retained earnings		3,022,817	2,503,634
		3,291,822	2,786,360
Acquisition reserve	26.3	(1,199,747)	(1,199,747)
		2,092,075	1,586,613
		Company	
		2020 RM'000	2019 RM'000
Warrant reserves		129,300	129,300
Retained earnings		267,770	224,918
		397,070	354,218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

26 RESERVES (CONTINUED)

26.2 Other reserves

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP* reserve RM'000	Total RM'000
At 1 January 2020	6,863	129,300	209,278	(101,554)	25,000	13,839	282,726
Foreign exchange translation differences	-	-	-	6,710	-	-	6,710
Fair value reserve (debt instruments):							
Net change in fair value	-	-	254,186	-	-	-	254,186
Changes in expected credit losses	-	-	(138)	-	-	-	(138)
Net amount reclassified to profit or loss	-	-	(272,811)	-	-	-	(272,811)
Income tax effect relating to components of other comprehensive income	-	-	5,492	-	-	-	5,492
Fair value reserve (equity instruments):							
Net change in fair value	-	-	16,992	-	-	-	16,992
Transfer from regulatory reserve to retained earnings	-	-	-	-	(25,000)	-	(25,000)
Share-based payment transactions	-	-	-	-	-	9,809	9,809
LTIP* exercised	-	-	-	-	-	(8,961)	(8,961)
At 31 December 2020	6,863	129,300	212,999	(94,844)	-	14,687	269,005

* Long Term Incentive Plan of Takaful Malaysia as disclosed in Note 27

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

26 RESERVES (CONTINUED)

26.2 Other reserves (continued)

Group	Capital reserve RM'000	Warrant reserve RM'000	FVOCI reserve RM'000	Translation reserve RM'000	Regulatory reserve RM'000	LTIP* reserve RM'000	Total RM'000
At 1 January 2019	6,863	129,300	10,846	(105,973)	10,000	9,949	60,985
Foreign exchange translation differences	-	-	-	4,419	-	-	4,419
Fair value reserve (debt instruments):							
Net change in fair value	-	-	337,413	-	-	-	337,413
Net allowance for impairment on debt instruments	-	-	37	-	-	-	37
Net amount reclassified to profit or loss	-	-	(97,419)	-	-	-	(97,419)
Income tax effect relating to components of other comprehensive income	-	-	(53,040)	-	-	-	(53,040)
Fair value reserve (equity instruments):							
Net change in fair value	-	-	11,441	-	-	-	11,441
Transfer from retained earnings to regulatory reserve	-	-	-	-	15,000	-	15,000
Share-based payment transactions	-	-	-	-	-	10,668	10,668
LTIP* exercised	-	-	-	-	-	(6,778)	(6,778)
At 31 December 2019	6,863	129,300	209,278	(101,554)	25,000	13,839	282,726

* Long Term Incentive Plan of Takaful Malaysia as disclosed in Note 27

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

26 RESERVES (CONTINUED)

26.2 Other reserves (continued)

Capital reserve

The capital reserve arose out of the issuance of bonus issue in a subsidiary of RM6,863,000.

Warrant reserve

The warrant reserve arose from the Company's issuance of 426,715,958 free detachable warrants on 11 December 2013.

FVOCI reserve

The FVOCI reserve comprises the cumulative net change in the fair value of financial assets at FVOCI until the financial assets are derecognised.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations and offshore banking operations – Federal Territory of Labuan.

Regulatory reserve

The regulatory reserve represents the Bank Islam's compliance with BNM's Guideline on Financial Reporting for Islamic Banking Institution to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. As at 31 December 2020, the regulatory reserve held against expected losses is reduced to 0%, a COVID-19 related measure to drawdown prudential buffers as permitted by BNM.

Long Term Incentive Plan ("LTIP") reserve

The LTIP reserve comprises the cumulative value of employee services received for the issue of Restricted Share Plan and Performance Share Plan in Takaful Malaysia. When the LTIP is exercised, the amount from the LTIP reserve is transferred to share capital. When the LTIP expires, the amount from the LTIP reserve is transferred to retained earnings. LTIP is disclosed in Note 27.

26.3 Acquisition reserve

The acquisition reserve is the difference between the consideration paid and the 49% equity interest in Bank Islam Malaysia Berhad acquired in December 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

27 EMPLOYEE BENEFITS

Share-based payments arrangement of Syarikat Takaful Malaysia Keluarga Berhad

At the Extraordinary General Meeting of Takaful Malaysia, held on 24 July 2013, the shareholders approved the establishment of a Long Term Incentive Plan ("LTIP"), which comprises a Restricted Share Plan ("RSP") and a Performance Share Plan ("PSP"), of not more than 10% of issued and paid-up share capital of Takaful Malaysia (excluding treasury shares) to eligible employees and executive directors of Takaful Malaysia. The LTIP was effected on 25 July 2013 following the submission of the By-Laws for the LTIP to Bursa Malaysia Securities Berhad, the receipt of all required approvals and the compliance with the requirements pertaining to the LTIP.

During the year, the number of the shares in Takaful Malaysia granted are as follows:

	Number of ordinary shares	
	2020 (‘000)	2019 (‘000)
Performance shares		
Outstanding at 1 January	7,323	7,668
Granted during the year	1,820	2,750
Vested during the year	(3,641)	(2,574)
Forfeited during the year	(529)	(521)
Outstanding at 31 December	<u>4,973</u>	<u>7,323</u>

During the financial year, 3,640,789 shares (2019: 2,574,163 shares) in Takaful Malaysia were exercised.

There is no new PSP during the year and the shares granted are related to PSP in previous financial years. The fair value of services received in return for Restricted Shares and Performance Shares granted are based on the fair value of Restricted Shares and Performance Shares granted respectively, measured using the Monte Carlo Simulation, with the following inputs:

	Performance shares 2019
Fair value and assumption	
Fair value at grant date	6.584
Weighted average share price	6.584
Share price at grant date	7.020
Expected volatility (weighted average volatility)	21.38%
Option life (expected weighted average life)	3
Expected dividends	0.0358
Risk-free profit rate (based on Malaysian government bonds)	<u>3.31%</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

27 EMPLOYEE BENEFITS (CONTINUED)

Value of employee services received for issue of Takaful Malaysia shares

	Group	
	2020 RM'000	2019 RM'000
Performance shares		
– Shares granted in 2016	–	4,280
– Shares granted in 2017	3,512	7,239
– Shares granted in 2018	8,125	3,828
– Shares granted in 2019	4,935	2,598
	16,572	17,945

Retirement benefit

The Group also makes contribution to a defined benefit plan that provides pension for eligible permanent employees of its Indonesia subsidiaries. The amounts are determined based on years of service and salaries of the employees at the time of pension. The benefits will be paid upon retirement, permanent disability or termination.

28 SOURCES AND USES OF CHARITY FUNDS

	Group	
	2020 RM'000	2019 RM'000
Undistributed funds as at the beginning of the financial year	3	7
Shariah non-compliance income:		
<i>Funds collected/received during the year</i>	60	51
Uses of funds during the year:		
<i>Contribution to Public Benefit</i>	(52)	(55)
Undistributed funds as at the end of the financial year	11	3

29 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Group	
	2020 RM'000	2019 RM'000
Income derived from investment of:		
(i) General investment deposits	12,404	16,378
(ii) Term deposit-i	1,564,207	1,838,249
(iii) Savings and demand deposits	869,663	818,128
(iv) Other deposits	57,739	84,949
	2,504,013	2,757,704

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(i) Income derived from investment of general investment deposits

	Group	
	2020 RM'000	2019 RM'000
Finance income and hibah		
Financing, advances and others	10,088	13,829
Financial assets:		
– Fair value through profit and loss	85	79
– Fair value through other comprehensive income	965	1,454
– Other financial assets at amortised cost	2	3
Money at call and deposit with financial institutions	141	362
	11,281	15,727
Other dealing income		
Net gain from sale of financial assets at FVTPL	2	141
Net (loss)/gain on revaluation of financial assets at FVTPL	(10)	8
	(8)	149
Other operating income		
Net gain from sale of financial assets at FVOCI	1,131	502
	12,404	16,378
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	103	182
<i>Unwinding of modification loss</i>	97	–
	97	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(ii) Income derived from investment of term deposit-i

	Group	
	2020 RM'000	2019 RM'000
Finance income and hibah		
Financing, advances and others	1,216,391	1,517,697
Financial assets:		
– Fair value through profit and loss	12,825	10,164
– Fair value through other comprehensive income	146,921	187,059
– Other financial assets at amortised cost	297	352
Money at call and deposits with financial institutions	18,178	39,693
	1,394,612	1,754,965
Other dealing income		
Net gain from sale of financial assets at FVTPL	355	17,504
Net (loss)/gain on revaluation of financial assets at FVTPL	(1,532)	871
	(1,177)	18,375
Other operating income		
Net gain from sale of financial assets at FVOCI	170,772	64,909
	1,564,207	1,838,249
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	15,959	23,204
<i>Unwinding of modification loss</i>	15,684	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(iii) Income derived from investment of savings and demand deposits

	Group	
	2020 RM'000	2019 RM'000
Finance income and hibah		
Financing, advances and others	677,884	675,861
Financial assets:		
– Fair value through profit and loss	7,134	4,531
– Fair value through other comprehensive income	81,880	83,286
– Other financial assets at amortised cost	167	165
Money at call and deposits with financial institutions	10,029	17,618
	777,094	781,461
Other dealing income		
Net gain from sale of financial assets at FVTPL	216	7,726
Net (loss)/gain on revaluation of financial assets at FVTPL	(1,126)	537
	(910)	8,263
Other operating income		
Net gain from sale of financial assets at FVOCI	93,479	28,404
	869,663	818,128
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	8,794	10,347
<i>Unwinding of modification loss</i>	9,061	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

29 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(iv) Income derived from investment of other deposits

	Group	
	2020 RM'000	2019 RM'000
Finance income and hibah		
Financing, advances and others	45,274	70,118
Financial assets:		
– Fair value through profit and loss	487	475
– Fair value through other comprehensive income	5,484	8,615
– Other financial assets at amortised cost	12	15
Money at call and deposits with financial institutions	689	2,017
	51,946	81,240
Other dealing income		
Net (loss)/gain from sale of financial assets at FVTPL	(73)	807
Net (loss)/gain on revaluation of financial assets at FVTPL	(63)	110
	(136)	917
Other operating income		
Net gain from sale of financial assets at FVOCI	5,929	2,792
	57,739	84,949
<i>of which</i>		
<i>Financing income earned on impaired financing</i>	626	1,094
<i>Unwinding of modification loss</i>	464	–

30 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	Group	
	2020 RM'000	2019 RM'000
Finance income		
Unrestricted investment accounts		
– <i>Mudharabah</i>	167,693	148,478
– <i>Wakalah</i>	329,244	236,452
Unwinding of modification loss	7,041	–
	503,978	384,930

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Finance income and hibah				
Financing, advances and others	6,607	6,622	–	–
Financial assets:				
– Fair value through other comprehensive income	190,253	189,567	–	–
Money at call and deposits with financial institutions	11,513	12,661	9,340	9,654
	208,373	208,850	9,340	9,654
Other dealing income				
Net gain from foreign exchange transactions	43,478	55,710	–	–
Net (loss)/gain on revaluation of financial assets FVTPL	(4,096)	9,874	(99)	234
Net derivatives gain/(loss)	31	(36)	–	–
	39,413	65,548	(99)	234
Other operating income				
Impairment for doubtful debts	(3)	(1)	–	–
Dividend income from debt instruments at FVTPL (unit trust)	14,740	9,546	537	260
Dividend income from equity instruments at FVOCI	503	545	–	–
Gross dividend income from subsidiary companies	–	–	352,737	411,259
Rebate on investment in unit trust	979	–	–	–
Sale of investment in unit trust	28	–	–	–
Fees and commission	185,750	193,020	–	–
Net gain on disposal of property and equipment	3	422	–	–
Rental income	1,534	1,414	–	–
Others	1,226	484	1,007	4
	204,760	205,430	354,281	411,523
	452,546	479,828	363,522	421,411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

32 NET EARNED CONTRIBUTIONS

	Group	
	2020	2019
	RM'000	RM'000
Gross earned contributions	2,507,891	2,740,035
Contribution ceded to retakaful	(441,111)	(394,204)
	2,066,780	2,345,831
Gross contributions	2,575,358	2,751,654
Change in actuarial reserves/unearned contributions reserves	(67,467)	(11,619)
Gross earned contributions	2,507,891	2,740,035
Retakaful	(464,261)	(407,954)
Change in actuarial reserves/unearned contributions reserve	23,150	13,750
Contributions ceded to retakaful	(441,111)	(394,204)
Net earned contributions	2,066,780	2,345,831

33 OTHER INCOME FROM TAKAFUL BUSINESS

	Group	
	2020	2019
	RM'000	RM'000
Administration income	81,633	65,927
Investment income	349,829	342,968
Realised gains and losses	33,678	15,173
Fair value gains and losses	15,528	31,872
Other operating income	2,031	4,507
	482,699	460,447

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

34 NET BENEFITS, CLAIMS AND EXPENSE RESERVES

	Group	
	2020 RM'000	2019 RM'000
Gross benefits and claims paid	(1,043,145)	(1,198,032)
Claims ceded to retakaful	201,100	226,870
Gross change to contract liabilities	(215,571)	(69,754)
Change to contract liabilities ceded to retakaful	168,788	52,964
	(888,828)	(987,952)
Expense reserves	(5,275)	(59,588)
Net benefits, claims and expense reserves	(894,103)	(1,047,540)
	(1,043,145)	(1,198,032)
Gross benefits/claims paid	(1,043,145)	(1,198,032)
Retakaful recoveries	201,100	226,870
Net benefits/claims paid	(842,045)	(971,162)
Gross change in contract liabilities:		
At 31 December	(919,091)	(703,598)
Less:		
At 1 January	(703,598)	(633,725)
Effect of movement in exchange rates	(78)	119
	(215,571)	(69,754)
Change in contract liabilities ceded to retakaful companies:		
At 31 December	518,298	349,548
Less:		
At 1 January	349,548	296,534
Effect of movement in exchange rates	38	(50)
	168,788	52,964
	(888,828)	(987,952)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

35 NET ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

Net allowance for impairment on financing, advances and others

– Stage 1

– Stage 2

– Stage 3

Bad debts and financing recovered

	Group	
	2020 RM'000	2019 RM'000
	228,646	24,186
	1,661	20,032
	57,880	146,611
	(79,516)	(107,141)
	208,671	83,688

36 INCOME ATTRIBUTABLE TO DEPOSITORS

Deposits from customers

– Mudharabah Fund

– Non-Mudharabah Fund

Deposits and placements of banks and other financial institutions

– Non-Mudharabah Fund

Recourse obligations on financing sold to Cagamas

	Group	
	2020 RM'000	2019 RM'000
	4,758	8,371
	909,921	1,280,517
	421	402
	71,113	71,201
	986,213	1,360,491

37 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDERS

Unrestricted investment accounts

– *Mudharabah*

– *Wakalah*

	Group	
	2020 RM'000	2019 RM'000
	10,609	9,987
	201,461	154,900
	212,070	164,887

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

38 PERSONNEL EXPENSES

Note	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries and wages	591,144	636,941	2,907	4,310
Chief Executive Officer, Directors and Shariah Supervisory Council members' remuneration	41 20,774	24,735	1,854	1,972
Employees' Provident Fund	88,268	78,521	429	493
Others	85,209	71,460	406	645
	785,395	811,657	5,596	7,420

39 OTHER OVERHEAD EXPENSES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Promotion				
Advertisement and publicity	154,893	181,164	1,646	378
Credit and debit card expenses	37,730	30,998	–	–
Commission	181,768	206,056	–	–
	374,391	418,218	1,646	378
Establishment				
Depreciation of property and equipment	68,786	65,642	114	96
Depreciation of investment property	114	114	–	–
Depreciation of right-of-use assets	20,577	17,532	–	–
Amortisation of intangible assets	33,977	29,569	–	–
Information technology expenses	56,222	47,908	139	137
Office rental	29,468	27,766	1,044	1,064
Office maintenance	25,599	23,897	22	19
Utilities	16,737	19,293	19	25
Security services	9,442	9,147	–	–
Rental equipment	6,500	9,550	86	95
Takaful and insurance	2,652	4,739	114	113
Others	1,297	1,188	–	–
	271,371	256,345	1,538	1,549

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

39 OTHER OVERHEAD EXPENSES (CONTINUED)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
General expenses				
Professional fees	30,889	34,302	1,061	608
Indirect tax expenses	–	2	–	–
Outsourcing fees				
– Management of self-service terminal	13,716	12,129	–	–
– Credit recovery	2,345	277	–	–
– Others	1,960	4,760	–	–
Travelling & transportation	1,718	10,386	7	65
Office supplies	9,999	8,794	23	52
Agency related expenses	57,568	60,210	–	–
Licenses	10,240	10,650	–	–
Bank and service charges	21,692	14,844	–	–
Security services for cash in transit	5,735	7,294	–	–
Postage and delivery charges	9,829	5,884	–	–
General expenses	22,547	23,947	–	–
Subscription fees	5,632	4,343	4	3
Auditors' remuneration				
- Statutory audit fee	2,178	2,174	106	106
- Others	1,839	592	268	168
Mobile banking expenses	2,011	1,979	–	–
Processing charges	1,201	1,362	–	–
Property and equipment written off	925	91	–	9
Others	71,358	53,964	1,120	1,694
	273,382	257,984	2,589	2,705
	919,144	932,547	5,773	4,632

40 FINANCE COST

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sukuk liabilities		125,720	119,875	54,735	52,685
Profit expense on leases	13	17,971	18,243	–	–
		143,691	138,118	54,735	52,685

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

41 CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION

Aggregate remuneration of Chief Executive Officers and Directors of the Group and the Company categorised into appropriate components are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Chief Executive Officer and Directors of the Company				
Chief Executive Officer:				
Salaries, bonuses and EPF contributions	2,601	2,518	418	418
Fees and other emoluments	480	446	–	–
Benefits-in-kind	34	34	–	–
	3,115	2,998	418	418
Non-Executive Directors:				
Fees and other emoluments	2,604	2,394	1,436	1,554
Benefits-in-kind	80	72	40	40
	2,684	2,466	1,476	1,594
Total	5,799	5,464	1,894	2,012
Chief Executive Officers and Directors of the subsidiary companies				
Executive Directors:				
Salaries, bonuses and EPF contributions	1,411	1,705	–	–
Fees and other emoluments	206	244	–	–
Benefits-in-kind	–	7	–	–
	1,617	1,956	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

41 CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION (CONTINUED)

Aggregate remuneration of Chief Executive Officers and Directors of the Group and the Company categorised into appropriate components are as follows: (continued)

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Chief Executive Officers and Directors of the subsidiary companies (continued)				
Chief Executive Officers:				
Salaries, bonuses and EPF contributions	5,288	6,398	–	–
Fees and other emoluments	3,139	5,852	–	–
Benefits-in-kind	258	394	–	–
	8,685	12,644	–	–
Non-Executive Directors:				
Fees and other emoluments	3,978	4,240	–	–
Benefits-in-kind	398	358	–	–
	4,376	4,598	–	–
Total	14,678	19,198	–	–
Shariah Supervisory Council	1,067	938	–	–
Grand Total	21,544	25,600	1,894	2,012
Grand Total (excluding benefits-in-kind) (Note 38)	20,774	24,735	1,854	1,972

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

41 CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors of the Company is as follows:

	Remuneration received from the Company			Remuneration received from subsidiary companies			Group Total RM'000	
	Salary and bonus RM'000	Fees and other emoluments RM'000	Benefits-in-kind RM'000	Salary and bonus RM'000	Fees and other emoluments RM'000	Benefits-in-kind RM'000		
31 December 2020								
Chief Executive Officer								
Mohd Muazzam bin Mohamed	418	-	-	418	2,183	480	34	3,115
	418	-	-	418	2,183	480	34	3,115
Non-Executive Director:								
Tan Sri Ambrin bin Buang	-	382	8	390	-	-	-	390
Mohd Tarmidzi bin Ahmad Nordin	-	317	8	325	-	-	-	325
Noraini binti Che Dan	-	362	8	370	-	414	25	809
Datuk Nik Mohd Hasyudeen bin Yusoff	-	70	8	78	-	155	-	233
Zahari @ Mohd Zin bin Idris (appointed on 03.02.2020)	-	235	8	243	-	599	15	857
Tan Sri Ismail bin Adam (retired on 02.01.2020)	-	70	-	70	-	-	-	70
	-	1,436	40	1,476	-	1,168	40	2,684
	418	1,436	40	1,894	2,183	1,648	74	5,799
31 December 2019								
Chief Executive Officer								
Mohd Muazzam bin Mohamed	418	-	-	418	2,100	446	34	2,998
	418	-	-	418	2,100	446	34	2,998
Non-Executive Director:								
Tan Sri Ambrin bin Buang	-	392	8	400	-	-	-	400
Tan Sri Ismail bin Adam	-	329	8	337	-	-	-	337
Mohd Tarmidzi bin Ahmad Nordin	-	322	8	330	-	21	8	359
Noraini binti Che Dan	-	308	8	316	-	422	-	738
Datuk Nik Mohd Hasyudeen bin Yusoff	-	203	8	211	-	397	24	632
	-	1,554	40	1,594	-	840	32	2,466
	418	1,554	40	2,012	2,100	1,286	66	5,464

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

42 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group.

The compensation for key management personnel other than CEO and Directors' remuneration are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other key management personnel:				
– Short-term employee benefits	40,375	37,460	672	2,129
– Benefits-in-kind	595	589	34	61
	40,970	38,049	706	2,190

43 TAX EXPENSE

Major components of tax expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Malaysian income tax:				
Current year	132,409	282,401	2,198	2,271
Over provision in prior years	(30,361)	(5,966)	(7)	(16)
Overseas income tax:				
Over provision in prior years	–	(5,088)	–	–
	102,048	271,347	2,191	2,255
Deferred tax expense:				
Origination and reversal of temporary differences	111,521	(14,113)	–	–
Under provision in prior years	2,760	151	–	–
	114,281	(13,962)	–	–
	216,329	257,385	2,191	2,255

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

43 TAX EXPENSE (CONTINUED)

A reconciliation of effective tax expense for the Group and Company are as follows:

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit before tax	1,097,285	1,205,014	270,919	351,852
Income tax calculated using Malaysian tax rate of 24%	263,348	289,203	65,021	84,444
Non-deductible expenses	81,454	94,869	9,044	4,004
Non-deductible Sukuk's finance cost	13,136	12,644	13,136	12,644
Non-taxable income	(111,455)	(130,115)	(85,003)	(98,821)
Effect of tax rates in foreign jurisdictions	38	2	-	-
Zakat	(2,591)	(3,403)	-	-
	243,930	263,200	2,198	2,271
Over provision in prior years	(30,361)	(5,966)	(7)	(16)
Under provision of deferred tax	2,760	151	-	-
Tax expense	216,329	257,385	2,191	2,255
Recognised in other comprehensive income:				
Deferred tax expense				
Other investment	(2,467)	(6,300)	-	-
Provisions	134	39	-	-
Financial assets at fair value through other comprehensive income (FVOCI)	5,492	(53,040)	-	-
	3,159	(59,301)	-	-

The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia") notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by Takaful Malaysia under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by Takaful Malaysia for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to Takaful Malaysia.

Takaful Malaysia has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

Takaful Malaysia is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000.00 as tax recoverable.

The matter above has been fixed for hearing at the Court on 1st and 2nd September 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

44 EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 and 31 December 2020 was based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year:

	Group	
	2020 RM'000	2019 RM'000
Profit attributable to owners of the Company	<u>720,247</u>	<u>786,920</u>

	Group	
	2020 '000	2019 '000
Weighted average number of ordinary shares	<u>1,791,036</u>	<u>1,758,664</u>

	Group	
	2020 Sen	2019 Sen
Basic earnings per ordinary share	<u>40.21</u>	<u>44.75</u>

Diluted earnings per share

There is no dilution due to the Company's warrants, as the warrants are currently out-of-money in view that the exercise price for each warrant is higher than the closing market price of the Company's shares as at 31 December 2020.

45 DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of payment
2020			
2020 ordinary	<u>12.60</u>	<u>225,876</u>	18 January 2021
2019			
2019 ordinary	<u>16.00</u>	<u>282,285</u>	21 January 2020

The Directors do not recommend any more dividend to be paid for the year under review.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

46 RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

The Group and the Company has a related party relationship with its subsidiaries (see Note 14) and holding corporation of the Company.

- (a) The significant related party transactions of the Group and the Company which are not disclosed elsewhere, other than key management personnel compensation, are as follows:

	Group transaction for		Company transaction for	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Holding Company				
Wakalah incentive fee	576	446	–	–
Brokerage income	416	268	–	–
Contribution income for General Takaful	6	3,219	–	–
Fees and commission	–	38	–	–
Office rental received	66	64	–	–
Profit paid on Sukuk Liabilities	57,083	58,435	54,735	52,685
Rental of premises paid	1,384	1,361	–	–
Profit attributable on deposits placed	59,996	43,671	–	–
Claims paid for General Takaful	737	271	–	–
Other rental paid	383	496	–	–
Takaful contribution refunded	5	–	–	–
Depreciation of right-of-use assets	13,311	13,314	–	–
Profit expense on leases	17,524	17,876	–	–
Subsidiaries				
Income receivable on deposits placed	–	–	9,347	9,658
Takaful contribution refunded	–	–	–	18
Office rental received	–	–	23	–
Office rental paid	–	–	1,038	1,029
Other expenses	–	–	111	129
Contribution paid for General Takaful	–	–	67	80
Other related companies				
Takaful contribution received	1,078	1,686	–	–
Income received from financing, advances and others	239	356	–	–
Fees and commission received	177	141	–	–
Profit attributable on deposits placed	2,144	1,919	–	–
Office rental paid	–	448	–	–
Takaful claims paid	53	168	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and the Company with related parties, are as follows:

	Group transaction for		Company transaction for	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Co-operative society in which the employees have interest				
Income from financing, advances and others	2,897	2,867	-	-
Income attributable to depositors	4	5	-	-
Income attributable investment account holders	17	-	-	-
Other rental	-	8	-	-
Others	95	177	-	-

The inter-company charges of the Group and the Company with related parties were mainly transacted in Central region.

	Group net balance outstanding as at		Company net balance outstanding as at	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Holding company				
Amount due from				
Others	23	23	-	-
Amount due to				
Demand and investment deposits	3,609,339	2,318,541	-	-
Profit payable to investment deposit	16,062	13,781	-	-
Sukuk liabilities	1,005,551	982,211	919,947	881,093
Commitment and contingencies	2,880	3,183	-	-
Others	136	-	-	-
Subsidiaries				
Amount due from				
Demand and investment deposits	-	-	317,584	412,329
Profit payable to investment deposit	-	-	729	4,288
Others	-	-	157	302
Amount due to				
Others	-	-	-	11
Other related companies				
Amount due from				
Financing, advances and others	-	2,928	-	-
Amount due to				
Demand and investment deposits	211,578	246,061	-	-
Profit payable to investment deposit	64	158	-	-
Commitment and contingencies	13,710	13,814	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

46 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and the Company with related parties, are as follows: (continued)

	Group net balance outstanding as at		Company net balance outstanding as at	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Co-operative society in which the employees have interest				
Amount due from				
Financing, advances and others	62,568	64,812	–	–
Amount due to				
Deposits from customers	119	817	–	–
Investment account of customers	569	–	–	–
Income payable to depositors	1	1	–	–
Income payable to investment account holders	4	–	–	–

Significant other related companies of the Group are as below:

Related parties	Relationship
Express Rail Link Sdn. Bhd.	Associate company of holding company
TH Plantation Group	Subsidiary company of holding company
TH Properties Group	Subsidiary company of holding company

47 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

Bank Islam Malaysia Berhad	2020 RM'000	2019 RM'000
Outstanding credit exposures with connected parties	2,411,078	1,597,633
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	3.73%	3.18%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.000%	0.000%

The above disclosure on Credit Transaction and Exposures with Connected Parties is presented in accordance with Para 9.1 of Bank Negara Malaysia's Revised Guidelines on Credit Transaction and Exposures with Connected Parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

48 CAPITAL ADEQUACY

Total capital and capital adequacy ratios of the Group have been computed based on Bank Negara Malaysia (“BNM”)s Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 3 May 2019. The Group is required to meet minimum Common Equity Tier I (“CET I”), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively in 2020. To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer (“CCB”) of 2.5% above the minimum capital adequacy was introduced by BNM. The CCB is maintained in the form of CET I capital at 2.5% starting 1 January 2019 onwards.

Therefore, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 7.0%, 8.5% and 10.5% respectively starting year 2019 onwards. The Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

Similar to Note 2.1(a)(iv), BNM has issued a memo on “Additional Measures to Assist Customers Affected by COVID-19 Outbreak” which specifies (amongst others):

- i. Drawdown of CCB of 2.5%; and
- ii. Reduction in regulatory reserves held against expected losses to 0%.

As a result, the minimum CET I capital ratio, Tier I capital ratio and Total Capital Ratio for the year ended 2020 are revised to 4.5%, 6.0% and 8.0% respectively (i.e. without CCB). However, BNM requires financial institutions to restore the minimum regulatory requirements by 30 September 2021.

The capital adequacy ratios of the Group are set out below:

	Group	
	2020	2019
	%	%
CET I and Tier I Capital Ratio	12.963	12.656
Total Capital Ratio	18.071	17.052

The components of CET I, Tier I and Tier II capital of the Group:

	Group	
	2020	2019
	RM'000	RM'000
Tier I capital		
Paid-up share capital	4,412,261	4,307,819
Retained earnings	2,287,326	1,924,475
Other reserves	(965,212)	(946,505)
Less:		
Investment in subsidiary	(99,053)	(99,053)
Deferred tax assets	(1,531)	(34,431)
Gain on financial instruments classified as fair value through other comprehensive income	(107,045)	(107,543)
Regulatory reserve	–	(25,000)
Total CET I and Tier I Capital	5,526,746	5,019,762

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

48 CAPITAL ADEQUACY (CONTINUED)

The components of CET I, Tier I and Tier II capital of the Group: (continued)

	Group	
	2020	2019
	RM'000	RM'000
Sukuk Murabahah	1,700,000	1,300,000
Collective assessment allowance and regulatory reserve [^]	477,886	443,476
Total Tier II Capital	2,177,886	1,743,476
Total Capital	7,704,632	6,763,238

[^] Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets less credit risk absorbed by unrestricted investment accounts.

The breakdown of risk-weighted assets by each major risk category is as follows:

	2020	2019
	RM'000	RM'000
Credit risk	47,030,111	42,746,503
Less: Credit risk absorbed by unrestricted investment accounts	(8,799,247)	(7,268,408)
	38,230,864	35,478,095
Market risk	638,925	580,444
Operational risk	3,766,197	3,603,044
	42,635,986	39,661,583

48.1 Syarikat Takaful Malaysia Keluarga Berhad

Takaful Malaysia's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect participants and meet regulatory requirements.

Takaful Malaysia is required to comply with the regulatory capital requirement prescribed in the Risk Based Capital for Takaful ("RBCT") Framework issued by BNM where Takaful operators are required to satisfy a minimum capital adequacy ratio of 130%. As at period end, Takaful Malaysia has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of Takaful Malaysia as at 31 December 2020 as prescribed under the RBCT Framework is provided below:

	2020	2019
	RM'000	RM'000
Tier 1 capital	1,742,983	1,519,250
Tier 2 capital	198,670	162,531
Amount deducted from capital	(321,448)	(203,564)
Total capital available	1,620,205	1,478,217

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES

49.1 Categories of financial instruments

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

- Fair value through profit or loss (“FVTPL”)
- Fair value through other comprehensive income (“FVOCI”)
- Amortised cost

Group 31 December 2020	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
Financial assets				
Cash, balances and placements with Banks	7,862,463	–	–	7,862,463
Financial assets at FVTPL	1,993,825	1,993,825	–	–
Derivative financial assets	61,665	61,665	–	–
Financial assets at FVOCI	18,395,952	–	18,395,952	–
Financing, advances and others	54,670,635	–	–	54,670,635
Other financial assets at amortised cost (net of prepayment)	664,403	–	–	664,403
Statutory deposits with Bank Negara Malaysia	192,425	–	–	192,425
	83,841,368	2,055,490	18,395,952	63,389,926
Financial liabilities				
Deposits from customers	(50,540,345)	–	–	(50,540,345)
Investment accounts of customers	(12,022,112)	–	–	(12,022,112)
Derivative financial liabilities	(105,872)	(105,872)	–	–
Bills and acceptances payable	(29,621)	–	–	(29,621)
Recourse obligations on financing sold to Cagamas	(1,501,187)	–	–	(1,501,187)
Other liabilities	(2,002,120)	–	–	(2,002,120)
Sukuk liabilities	(2,633,111)	–	–	(2,633,111)
Lease liabilities	(314,186)	–	–	(314,186)
	(69,148,554)	(105,872)	–	(69,042,682)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.1 Categories of financial instruments (continued)

Group 31 December 2019	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
Financial assets				
Cash, balances and placements with Banks	5,916,059	–	–	5,916,059
Financial assets at FVTPL	1,494,495	1,494,495	–	–
Derivative financial assets	33,326	33,326	–	–
Financial assets at FVOCI	16,946,884	–	16,946,884	–
Financing, advances and others	49,472,522	–	–	49,472,522
Other financial assets at amortised cost (net of prepayment)	567,278	–	–	567,278
Statutory deposits with Bank Negara Malaysia	1,170,136	–	–	1,170,136
	<u>75,600,700</u>	<u>1,527,821</u>	<u>16,946,884</u>	<u>57,125,995</u>
Financial liabilities				
Deposits from customers	(46,752,714)	–	–	(46,752,714)
Investment accounts of customers	(9,797,543)	–	–	(9,797,543)
Derivative financial liabilities	(36,746)	(36,746)	–	–
Bills and acceptances payable	(49,084)	–	–	(49,084)
Recourse obligations on financing sold to Cagamas	(1,501,187)	–	–	(1,501,187)
Other liabilities	(1,689,741)	–	–	(1,689,741)
Sukuk liabilities	(2,139,666)	–	–	(2,139,666)
Lease liabilities	(328,062)	–	–	(328,062)
	<u>(62,294,743)</u>	<u>(36,746)</u>	<u>–</u>	<u>(62,257,997)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.1 Categories of financial instruments (continued)

Company 31 December 2020	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000
Financial assets				
Cash, balances and placements with banks	317,588	-	-	317,588
Financial assets at FVTPL	7,555	7,555	-	-
Other financial assets at amortised cost (net of prepayment)	60,210	-	-	60,210
	385,353	7,555	-	377,798
Financial liabilities				
Other liabilities	(228,171)	-	-	(228,171)
Sukuk liabilities	(919,947)	-	-	(919,947)
	(1,148,118)	-	-	(1,148,118)
31 December 2019				
Financial assets				
Cash, balances and placements with banks	412,333	-	-	412,333
Financial assets at FVTPL	7,117	7,117	-	-
Other financial assets at amortised cost (net of prepayment)	103,303	-	-	103,303
	522,753	7,117	-	515,636
Financial liabilities				
Other liabilities	(284,567)	-	-	(284,567)
Sukuk liabilities	(881,093)	-	-	(881,093)
	(1,165,660)	-	-	(1,165,660)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.2 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The Group's exposures to the above risks are mainly attributed to its main operating subsidiaries, Bank Islam Malaysia Berhad ("the Bank" or "Bank Islam") and Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia"). The Company's exposure to these risks is not presented separately as it is not material to the Group.

49.3 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its financing, advances and others and investment securities. The Company's exposure to credit risk arises principally from investment securities.

(a) Banking

Bank Islam's credit risk is the risk of a customer or counterparty failing to perform its obligations. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor. The types of credit risks that the Bank considers to be material includes: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk and Migration Risk.

Credit risk governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by Bank Islam's Management Risk Control Committee ("MRCC") and/or Board Risk Committee ("BRC"), guided by the Bank Islam's Board of Directors' approved Risk Appetite Statement.

The Bank has instituted two (2) levels of Financing Committees, which assess and approve credits at their specified authority levels.

The Bank's MRCC is responsible under the authority delegated by the Bank's BRC for managing credit risk at strategic level. The Bank's MRCC reviews the Bank's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Bank's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which documents the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

(a) Banking (continued)

Management of Credit Risk

The management of credit risk is being performed by Credit Management Division (“CMD”) and Risk Management Division (“RMD”), and two other units outside of the CMD and RMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Bank’s overall strategy and risk appetite;
- To ensure that the Bank is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Bank monitors its credit exposures either on a portfolio basis or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain part of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Bank’s Board and to avoid credit risk concentration to a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparties limits and permissible acquisition of private debt securities, subject to specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

(b) Takaful

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial and contractual obligations to the Takaful Malaysia Group as and when they fall due.

The Takaful Malaysia Group’s portfolio of Islamic debt securities, and to a lesser extent short-term and other investments, are subject to credit risk. This risk is defined as the potential loss resulting from adverse changes in a borrower’s ability to repay the debt. The Takaful Malaysia Group’s objective is to earn competitive relative returns by investing in a diversified portfolio of securities.

Management has an investment credit risk policy in place. Limits are established to manage credit quality and concentration risk.

Takaful Malaysia has takaful and other receivable balances that are subject to credit risk. Among the most significant of these are retakaful recoveries. To mitigate the risk of the counterparties not paying the amount due, Takaful Malaysia has established certain business and financial guidelines for retakaful approval, incorporating ratings by major agencies and considering currently available market information.

Takaful Malaysia also periodically review the financial stability of retakaful companies from public and other sources and the settlement trend of amounts due from retakaful companies.

Cash and deposits are generally placed with banks and financial institutions licensed under the Financial Services Act 2013 and Islamic Financial Services Act 2013 which are regulated by Bank Negara Malaysia and Sharia Insurance Regulation in Indonesia.

Takaful Malaysia manage individual exposures as well as concentration of credit risks. There are no significant changes as compared to prior periods. At end of the reporting period, there were no significant concentration of credit risks, other than investments in Islamic debt securities issued by single issuer and investment in Institutional Trust Account. There are no significant changes as compared to prior periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet 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 Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Group	
	2020 RM'000	2019 RM'000
Cash and short-term funds	5,159,702	2,572,723
Deposits and placements with banks and other financial institutions	2,033,321	2,581,288
Financial assets at FVTPL*	1,686,917	1,190,706
Derivative financial assets (a)	61,665	33,326
Financial assets at FVOCI^	18,332,001	16,899,925
Financing, advances and others (b)	54,670,635	49,472,522
Other financial assets at amortised cost (net of prepayments)	664,403	567,278
Retakaful assets	978,202	755,796
Statutory deposits with Bank Negara Malaysia	192,425	1,170,136
Sub-total	83,779,271	75,243,700
Credit related obligation:		
Financial guarantee contracts (c)	1,941,791	1,950,487
Financing commitments# (d)	9,615,227	9,061,076
Sub-total	11,557,018	11,011,563
Total credit exposures	95,336,289	86,255,263

* Excludes unit trust

^ Excludes equity instruments

Excludes derivative financial assets

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Maximum exposure to credit risk (continued)

Banking

(a) Derivative financial assets

In mitigating the counterparty credit risks from foreign exchange and derivatives transactions, the Bank enter into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

(b) Financing, advances and others

Business and retail

Financing, advances and others will may have levels of collateralisation depending on the nature of the product. The general creditworthiness of a corporate and commercial customer tends to be the most relevant indicator of credit quality of a financing extended to it.

The Bank manages its exposures to these customers by completing a credit evaluation to assess the customer's character, industry, business model and capacity to meet their commitments in a timely manner. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

The Bank routinely updates the valuation of collateral held against all financing as it adopts an annual internal valuation policy and a 2 years external valuation policy.

At 31 December 2020, the gross exposure of credit-impaired financing and advances to corporate and commercial customers amounted to RM182,271,000 (2019: RM198,655,000) and the forced sales value of collateral held against those financing and advances amounted to RM298,895,000 (2019: RM310,524,000).

House financing

The following table presents credit exposures from financing and advances that are credit impaired by ranges of financing-to-value ("FTV") ratio. FTV is calculated as the ratio of the gross amount of the financing, or the amount committed for financing commitments - to the value of the collateral.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Maximum exposure to credit risk (continued)

Banking (continued)

(b) Financing, advances and others (continued)

House financing (continued)

	Group	
	2020 RM'000	2019 RM'000
FTV ratio		
<i>Credit-impaired financing</i>		
Less than 51%	35,725	31,815
51-70%	6,842	10,628
More than 70%	91,517	119,718
Total	<u>134,084</u>	<u>162,161</u>

Vulnerable sectors

The Bank has also identified certain vulnerable sectors that are mostly impacted by the pandemic, of which tighter assessment was made on the customers' credit rating, credit risk, credit cost and available financing.

	On balance sheet (net of impairment) RM'000
Financing, advances and others	
Tourism, airlines, oil and gas, transportation, restaurant, hotel and others	<u>7,435,095</u>
% over total maximum exposure	<u>14%</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Maximum exposure to credit risk (continued)

Banking (continued)

(b) Financing, advances and others (continued)

Relief and support measures

As mentioned in Note 2.1(a)(i), the Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The table below summarised total payment moratoriums and repayment assistances granted to the affected customers:

	Matured and repaying as per revised schedules RM'000	Extended RM'000	Missed payments RM'000	Total granted RM'000
Consumer	30,346,281	2,869,399	313,404	33,529,084
<i>Mortgages</i>	17,388,738	1,801,123	151,010	19,340,871
<i>Hire purchase</i>	1,247,353	131,952	23,764	1,403,069
<i>Personal financing</i>	11,710,190	936,324	138,630	12,785,144
Commercial	756,016	1,165,548	20,928	1,942,492
<i>of which SME</i>	657,724	468,414	20,928	1,147,066
Corporate	1,852,238	556,124	–	2,408,362
	<u>32,954,535</u>	<u>4,591,071</u>	<u>334,332</u>	<u>37,879,938</u>
As a percentage of total:				
Consumer	90.5%	8.6%	0.9%	100.0%
<i>Mortgages</i>	89.9%	9.3%	0.8%	100.0%
<i>Hire purchase</i>	88.9%	9.4%	1.7%	100.0%
<i>Personal financing</i>	91.6%	7.3%	1.1%	100.0%
Commercial	38.9%	60.0%	1.1%	100.0%
<i>of which SME</i>	57.3%	40.9%	1.8%	100.0%
Corporate	76.9%	23.1%	–	100.0%
	<u>87.0%</u>	<u>12.1%</u>	<u>0.9%</u>	<u>100.0%</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Maximum exposure to credit risk (continued)

Banking (continued)

(c) Financial guarantee contracts ("FGC")

FGCs comprise mainly of guarantees to customers, and to controlled entities of the Bank under the deed of cross guarantee, standby or documentary letters of credit and performance related contingencies. The Bank will typically have recourse to specific assets pledged as collateral in the event of a default by a party for which the Bank has guaranteed its obligations to a third party.

(d) Financing commitments

Financing commitments mainly comprise of irrevocable financing commitments to finance a customer provided there is no breach of any condition established in the contract. If such financing commitments are drawn down by the customer there will typically be specific collateral requirements that will need to be satisfied by the customer in order to access to credit facilities.

(i) Concentration of credit risk for Bank

Bank Islam As at 31 December 2020	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financing, advances and others RM'000	On-balance sheet total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	77,621	1,025,569	1,103,190	2,082	186,286
Mining and quarrying	-	-	-	-	64,894	64,894	16,014	80,830
Manufacturing (including agro-based)	-	-	9	53,677	962,181	1,015,867	143,149	579,419
Electricity, gas and water	-	16,074	-	1,277,590	1,966,976	3,260,640	64,469	148,676
Wholesale & retail trade, and hotels & restaurants	-	-	37,921	-	897,828	935,749	128,968	401,704
Construction	-	-	393	906,545	2,632,171	3,539,109	515,506	1,679,249
Transport, storage and communications	-	-	-	1,384,140	642,844	2,026,984	91,714	106,633
Finance, insurance, real estate and business activities	4,547,347	926,636	8,938	5,758,025	4,451,540	15,692,486	134,802	1,772,325
Education, health and others	-	-	746	870,928	1,152,752	2,024,426	515,978	1,837,248
Household sectors	-	-	-	-	40,873,880	40,873,880	-	946,401
Other sectors	-	-	13,658	2,165,514	-	2,179,172	329,109	1,876,456
	4,547,347	942,710	61,665	12,494,040	54,670,635	72,716,397	1,941,791	9,615,227

* Financing commitments excluding derivative financial assets

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Banking (continued)

(i) Concentration of credit risk for Bank (continued)

Bank Islam As at 31 December 2019	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financing, advances and others RM'000	On-balance sheet total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	20,282	1,235,411	1,255,693	8,865	250,022
Mining and quarrying	-	-	-	-	420	420	10,145	44,278
Manufacturing (including agro-based)	-	-	30	62,973	819,640	882,643	136,235	449,484
Electricity, gas and water	-	-	-	1,883,960	1,818,272	3,702,232	67,660	156,012
Wholesale & retail trade, and hotels & restaurants	-	-	18,926	-	881,485	900,411	127,255	280,678
Construction	-	-	-	750,796	2,153,269	2,904,065	393,338	1,203,928
Transport, storage and communications	-	-	3	1,604,845	885,686	2,490,534	99,787	174,259
Finance, insurance, real estate and business activities	2,710,387	423,938	9,901	5,410,186	3,669,708	12,224,120	142,801	846,776
Education, health and others	-	-	47	683,042	1,112,776	1,795,865	560,120	982,567
Household sectors	-	-	-	-	36,895,855	36,895,855	-	796,966
Other sectors	-	-	4,419	1,683,597	-	1,688,016	404,281	3,876,106
	2,710,387	423,938	33,326	12,099,681	49,472,522	64,739,854	1,950,487	9,061,076

* Financing commitments excluding derivative financial assets

(ii) Collateral

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

- For residential mortgages – charges over residential properties
- For commercial property financing – charges over the properties being financed
- For vehicle financing under Ijarah Thumma Al-Bai – ownership claims over the vehicles financed
- For other financing and advances – charges over business assets such as premises, inventories, trade receivables and/or cash deposits

As at 31 December 2020 and 31 December 2019, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Banking (continued)

(iii) Credit quality of financing, advances and others

The credit quality of the Bank's financing, advances and others are summarised as follows:

Bank Islam 31 December 2020	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
Neither past due nor impaired ("NPDNI")				
– Excellent	46,398,623	827,642	–	47,226,265
– Satisfactory	6,267,615	727,566	–	6,995,181
– Fair	263,084	112,065	–	375,149
	52,929,322	1,667,273	–	54,596,595
Past due but not impaired ("PDNI")	–	628,767	–	628,767
Impaired	–	–	373,234	373,234
	52,929,322	2,296,040	373,234	55,598,596
Financing commitments				
NPDNI				
– Excellent	7,924,991	33,371	–	7,958,362
– Satisfactory	1,431,364	105,542	–	1,536,906
– Fair	69,915	27,818	–	97,733
	9,426,270	166,731	–	9,593,001
PDNI	–	5,501	–	5,501
Impaired	–	–	16,725	16,725
	9,426,270	172,232	16,725	9,615,227
Impairment allowances	(625,052)	(151,067)	(122,532)	(898,651)
	61,730,540	2,317,205	267,427	64,315,172
Financial guarantee contracts				
NPDNI				
– Excellent	1,691,570	583	–	1,692,153
– Satisfactory	232,950	15,669	–	248,619
– Fair	234	628	–	862
	1,924,754	16,880	–	1,941,634
PDNI	–	–	–	–
Impaired	–	–	157	157
	1,924,754	16,880	157	1,941,791
Impairment allowances	(28,930)	(380)	–	(29,310)
	1,895,824	16,500	157	1,912,481

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Banking (continued)

(iii) Credit quality of financing, advances and others (continued)

The credit quality of the Bank's financing, advances and others are summarised as follows: (continued)

Bank Islam 31 December 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
NPDNI				
– Excellent	42,776,005	372,582	–	43,148,587
– Satisfactory	5,281,199	546,463	–	5,827,662
– Fair	208,508	47,241	–	255,749
	48,265,712	966,286	–	49,231,998
PDNI	–	558,970	–	558,970
Impaired	–	–	433,001	433,001
Gross carrying amount	48,265,712	1,525,256	433,001	50,223,969
Financing commitments				
NPDNI				
– Excellent	7,610,330	113,645	–	7,723,975
– Satisfactory	1,167,045	69,998	–	1,237,043
– Fair	31,975	38,122	–	70,097
	8,809,350	221,765	–	9,031,115
PDNI	–	13,427	–	13,427
Impaired	–	–	16,534	16,534
Gross exposure	8,809,350	235,192	16,534	9,061,076
Impairment allowances	(402,059)	(147,588)	(172,197)	(721,844)
Net exposure	56,673,003	1,612,860	277,338	58,563,201
Financial guarantee contracts				
NPDNI				
– Excellent	1,819,240	5,211	–	1,824,451
– Satisfactory	117,731	5,207	–	122,938
– Fair	229	2,290	–	2,519
	1,937,200	12,708	–	1,949,908
PDNI	–	–	–	–
Impaired	–	–	579	579
Gross exposure	1,937,200	12,708	579	1,950,487
Impairment allowances	(29,076)	(527)	–	(29,603)
Net exposure	1,908,124	12,181	579	1,920,884

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Banking (continued)

(iii) Credit quality of financing, advances and others (continued)

No significant changes to estimation techniques or assumptions were made during the year.

The Bank internal credit risk rating are defined as follows:

- **Excellent to Good:** Sound financial position with no difficulty in meeting its obligations.
- **Satisfactory:** Adequate safety of meeting its current obligations but more time is required to meet the entire obligation in full.
- **Fair:** Higher risks on payment obligations. Financial performance may continue to deteriorate.

Financing, advances and others of the main subsidiary, Bank Islam, are classified as follows:

- **Neither past due nor impaired financing**

Financing for which the borrower has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment.

- **Past due but not impaired financing**

Financing for which its contractual profit or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Banking (continued)

(iii) Credit quality of financing, advances and others (continued)

Financing, advances and others of the main subsidiary, Bank Islam, are classified as follows: (continued)

• Impaired financing

In addition to Note 2.1(a)(ii), financing is classified as impaired/defaulted:

- where the principal or profit or both are past due for three months or more;
- in the case of revolving credit facilities, where the outstanding amount has remained in excess of the approved limit for a period of three months or more;
- where the amount is past due or the outstanding amount has been in excess of the approved limit for three months or less and the financing exhibits indications of significant credit weakness;
- as soon as default occurs where the principal and/or profit repayments are schedule on intervals of 3 months or longer.

The ageing analysis of Bank Islam's financing and advances as at the end of the reporting period was as follows:

Past due but not impaired financing

	2020 RM'000	% to gross financing	2019 RM'000	% to gross financing
By ageing				
Month-in-arrears 1	429,323	0.77	360,615	0.72
Month-in-arrears 2	199,444	0.36	198,355	0.39
	628,767	1.13	558,970	1.11

Impaired financing

	2020 RM'000	2019 RM'000
By ageing		
Month-in-arrears 0	38,464	49,828
Month-in-arrears 1	8,164	10,731
Month-in-arrears 2	20,125	5,446
Month-in-arrears 3 and above	306,481	366,996
	373,234	433,001

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Banking (continued)

(iii) Credit quality of financing, advances and others (continued)

Impaired financing of which rescheduled and restructured financing

	2020 RM'000	2019 RM'000
Consumer	23,608	17,120
Business	65,369	61,786
	88,977	78,906

Rescheduled and restructured financings are financings that have been rescheduled or restructured due to deterioration in the customers' financial positions and the Bank has 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 performing.

Key macroeconomic variables

The following table shows certain key macroeconomic variables used in modelling the allowance for credit losses for Stages 1 and 2. For the base, upside and downside scenarios, the projections are provided for the next 12 months and for the remaining forecast period, which represents a medium-term view.

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months (2021)	Remaining forecast period (2022)	Next 12 months (2021)	Remaining forecast period (2022)	Next 12 months (2021)	Remaining forecast period (2022)
Kuala Lumpur Composite Index ("KLCI")	1,750.0	1,850.0	1,850.0	1,950.0	910.2	1,010.2
House Price Index ("HPI")	1.86%	2.24%	3.60%	3.98%	0.57%	1.55%
Consumer Price Index ("CPI")	2.0%	2.3%	1.6%	1.9%	2.5%	2.8%
Unemployment Rate	3.5	3.3	3.2	2.9	4.3	3.7
Gross Domestic Production ("GDP")	6.20%	5.30%	6.63%	5.73%	4.20%	3.30%

An increase in unemployment rate or CPI will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors (KLCI, HPI and GDP) will generally correlate with lower allowances for credit losses. Due to the unprecedented nature of the pandemic, and the difficulty of predicting reliably the forecast period, the Bank has applied certain management overlay on the overall allowance for credit losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

Banking (continued)

(iii) Credit quality of financing, advances and others (continued)

Key macroeconomic variables (continued)

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021. The impact were estimated at portfolio level and remain outside of the core MFRS 9 process. Total overlays for ECLs maintained by the Group and by the Bank as at 31 December 2020 are RM231,574,000.

(iv) Credit quality of takaful receivables

Impairment loss of takaful receivables

A reconciliation of the allowance for impairment losses for takaful receivables was as follows:

	RM'000
At 1 January 2019	6,107
Net remeasurement of allowance for impairment	484
At 31 December 2019/1 January 2020	6,591
Net remeasurement of allowance for impairment	(116)
At 31 December 2020	6,475
	Note 9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

(v) Credit quality of investments' portfolio

Investments' portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating are as follows:

Group As at 31 December 2020	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI			
Debt instrument			
Government bonds and treasury bills	8,472,143	–	8,472,143
Sukuk			
Rated AAA	4,651,691	–	4,651,691
Rated A1 to AA3	3,273,484	–	3,273,484
Rated A	54,495	–	54,495
Lower than A	64,577	15,842	80,419
Not rated	1,147,283	–	1,147,283
Other unrated financial assets	652,486	–	652,486
	18,316,159	15,842	18,332,001
Gross carrying amount			
Impairment allowances	403	–	403
Derivative financial assets			
Bank and financial institution counterparties			55,409
Corporate			6,256
			61,665
Financial assets at FVTPL			
Government bonds and treasury bills			846,543
Sukuk			
Rated AAA			142,431
Rated A1 to AA3			–
Rated AA			50,882
Rated A			126,784
Not rated			126,699
Unit-linked			50,024
Structured deposits			
Rated AAA			–
Rated AA			–
			1,343,363
Retakaful assets			
Not rated			323,150
Other financial assets at amortised cost			
Other unrated financial assets	664,403	14,739	679,142
Impairment allowances	–	(14,739)	(14,739)
Net carrying amount	664,403	–	664,403

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.3 Credit risk (continued)

(v) Credit quality of investments' portfolio (continued)

Investments' portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating are as follows: (continued)

Group	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
As at 31 December 2019			
Financial assets at FVOCI			
Debt instrument			
Government bonds and treasury bills	8,231,269	–	8,231,269
Sukuk			
Rated AAA	4,613,249	–	4,613,249
Rated A1 to AA3	2,352,117	–	2,352,117
Rated A	117,623	–	117,623
Lower than A	29,856	22,060	51,916
Not rated	1,002,899	–	1,002,899
Other unrated financial assets	530,852	–	530,852
	<hr/>	<hr/>	<hr/>
Gross carrying amount	16,877,865	22,060	16,899,925
	<hr/>	<hr/>	<hr/>
Impairment allowances	265	–	265
	<hr/>	<hr/>	<hr/>
Derivative financial assets			
Bank and financial institution counterparties			26,592
Corporate			6,734
			<hr/>
			33,326
			<hr/>
Financial assets at FVTPL			
Government bonds and treasury bills			373,743
Sukuk			
Rated AAA			99,152
Rated A1 to AA3			4
Rated AA			26,671
Rated A			186,259
Not rated			123,793
Unit-linked			47,240
Structured deposits			
Rated AAA			–
Rated AA			–
			<hr/>
			856,862
			<hr/>
Retakaful assets			
Not rated			198,675
			<hr/>
Other financial assets at amortised cost			
Other unrated financial assets	567,278	17,750	585,028
Impairment allowances	–	(17,750)	(17,750)
	<hr/>	<hr/>	<hr/>
Net carrying amount	567,278	–	567,278
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk

Overview

All the Group's businesses are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. The following are the main market risk factors that the Group is exposed to:

- **Profit Rate Risk:** also known as the Rate of Return Risk is the potential impact on the Group's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer/borrower specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group's currency positions;
- **Equity Investment Risk:** the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values;
- **Commodity Inventory Risk:** the risk of loss due to movements in commodity prices;
- **Liquidity Risk:** the potential inability of the Group to meet its funding requirements at a reasonable cost (funding liquidity risk) or its inability to liquidate positions quickly at a reasonable price (market liquidity risk).

The key features of the Group's market risk management practices and policies are represented by the Banking and Takaful segments.

(a) Banking

Bank Islam separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Bank's Board approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Bank's profit rate management of the Bank's assets and liabilities and investment portfolio mainly for liquidity management.

Market risk governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by the Bank's Asset and Liability Management Committee ("ALCO") and/or BRC, guided by the Bank's Board's approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the Bank's BRC for managing market risk at strategic level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(a) Banking (continued)

Management of market risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Bank's approved risk appetite.

Bank Islam's market risk exposures are managed by its Treasury, who have the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

The Bank's Market Risk Management Department ("MRMD") is the independent risk control function that is responsible for the implementation of market risk management framework. The Bank's MRMD is also responsible for developing and reviewing the Bank's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC. In addition, the market risk exposures and limits are reported to the Bank's ALCO and BRC.

Other controls to ensure market risk exposures remain within tolerable levels include regular stress testing, adhoc simulations and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Bank's profitability, capital adequacy and liquidity. The stress test provides the Bank's Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

(i) Profit rate risk

The table below summarises the Bank's exposure to profit rate risk. The table indicates average profit rates at the reporting date and the period in which the financial instruments reprice or mature, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

	Banking book							Effective profit rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		Total RM'000
Bank Islam									
As at 31 December 2020									
Assets									
Cash and short-term funds and deposits and placements with financial institutions	4,490,732	-	-	-	-	726,005	-	5,216,737	1.37%
Financial assets at FVTPL	-	-	-	-	-	-	1,181,200	1,181,200	2.34%
Derivative financial assets	-	-	-	-	-	-	61,665	61,665	0.71%
Financial assets at FVOCI	79,793	678,405	1,226,955	6,725,858	3,846,980	-	-	12,557,991	5.69%
Financing, advances and others									
- non-impaired	50,683,675	442,090	42,052	1,030,556	2,282,468	744,521	-	55,225,362	4.72%
- impaired net of allowances *	-	-	-	-	-	(554,727)	-	(554,727)	
Other financial assets at amortised cost	-	-	-	-	-	192,574	-	192,574	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	192,425	-	192,425	
Total assets	55,254,200	1,120,495	1,269,007	7,756,414	6,129,448	1,300,798	1,242,865	74,073,227	

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

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam As at 31 December 2020	Banking book							Effective profit rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		Total RM'000
Liabilities									
Deposits from customers	12,210,156	8,395,068	10,787,258	1,735,439	35,117	17,914,224	-	51,077,262	1.99%
Investment accounts of customers	2,482,295	2,231,737	2,534,420	6,801	-	5,113,275	-	12,368,528	1.91%
Derivative financial liabilities	-	-	-	-	-	-	105,872	105,872	1.23%
Bills and acceptance payable	-	-	-	-	-	29,621	-	29,621	
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,187	-	1,501,187	4.74%
Subordinated Sukuk Murabahah	-	-	-	-	1,700,000	13,164	-	1,713,164	4.69%
Other liabilities	-	-	-	-	-	1,038,079	-	1,038,079	
Lease liabilities	1,409	2,267	9,760	33,686	265,307	-	-	312,429	5.70%
Total liabilities	14,693,860	10,629,072	13,331,438	3,275,926	2,000,424	24,109,550	105,872	68,146,142	
On-balance sheet profit sensitivity gap	40,560,340	(9,508,577)	(12,062,431)	4,480,488	4,129,024	(22,808,752)	1,136,993	5,927,085	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	114,056	-	-	-	114,056	
Total profit sensitivity gap	40,560,340	(9,508,577)	(12,062,431)	4,594,544	4,129,024	(22,808,752)	1,136,993	6,041,141	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

	Banking book							Effective profit rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		Total RM'000
Bank Islam									
As at 31 December 2019									
Assets									
Cash and short-term funds and deposits and placements with financial institutions	2,650,438	-	348	-	-	821,600	-	3,472,386	2.51
Financial assets at FVTPL	-	-	-	-	-	-	663,068	663,068	3.97
Derivative financial assets	-	-	-	-	-	-	33,326	33,326	0.52
Financial assets at FVOCI	46,960	306,846	1,816,596	6,072,029	3,904,209	-	-	12,146,640	4.83
Financing, advances and others									
- non-impaired	45,100,289	507,292	71,763	1,088,826	2,628,405	394,393	-	49,790,968	5.70
- impaired net of allowances *	-	-	-	-	-	(318,446)	-	(318,446)	
Other financial assets at amortised cost	-	-	-	-	-	137,655	-	137,655	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,170,136	-	1,170,136	
Total assets	47,797,687	814,138	1,888,707	7,160,855	6,532,614	2,205,338	696,394	67,095,733	

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

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam As at 31 December 2019	Banking book						Effective profit rate %		
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		Trading book RM'000	Total RM'000
Liabilities									
Deposits from customers	7,664,642	10,048,295	11,781,782	2,149,298	9,835	15,754,886	-	47,408,738	2.76
Investment accounts of customers	1,120,694	2,655,565	3,238,788	13,983	-	3,211,343	-	10,240,373	2.33
Derivative financial liabilities	-	-	-	-	-	-	36,746	36,746	0.57
Bills and acceptance payable	-	-	-	-	-	49,084	-	49,084	
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,187	-	1,501,187	4.75
Subordinated Sukuk Murabahah	-	-	-	-	1,300,000	8,694	-	1,308,694	5.31
Other liabilities	-	-	-	-	-	826,823	-	826,823	
Lease liabilities	1,166	1,775	9,315	35,841	277,462	-	-	325,559	5.70
Total liabilities	8,786,502	12,705,635	15,029,885	3,699,122	1,587,297	19,852,017	36,746	61,697,204	
On-balance sheet profit sensitivity gap	39,011,185	(11,891,497)	(13,141,178)	3,461,733	4,945,317	(17,646,679)	659,648	5,398,529	
Off-balance sheet profit sensitivity gap (profit rate swaps)	3,634,376	429,403	71,549	-	-	-	-	4,135,328	
Total profit sensitivity gap	42,645,561	(11,462,094)	(13,069,629)	3,461,733	4,945,317	(17,646,679)	659,648	9,533,857	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(a) Banking (continued)

(ii) Profit rate risk in the banking book portfolio

Profit rate risk in the banking book portfolio is managed and controlled using measurement tool known as earnings-at-risk ("EaR") and Economic Value of Equity ("EVE").

The Bank monitors the sensitivity of EaR and EVE under varying profit rate scenarios (i.e. simulation modeling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by the Bank's Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, the Bank's Treasury would proactively manage and strategize to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Bank's hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

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

	2020		2019	
	-100bps RM'Million	+100bps RM'Million Increase/(decrease)	-100bps RM'Million	+100bps RM'Million
Bank Islam				
Impact on EaR	(131.4)	131.4	(119.6)	119.6
Impact on EVE	241.0	(241.0)	226.1	(226.1)

Another control to manage the profit rate risk in the banking book portfolio includes present value of 1 basis point change ("PV01") which measures the portfolio's sensitivity to market rates movement.

(iii) Market risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and controlled using Value-at-Risk ("VaR"). It is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates over a specified time horizon and to a given level of confidence. The VaR model used by Bank Islam is based on historical simulation which derives plausible future scenarios from past series of recorded market rates and prices.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(a) Banking (continued)

(iii) Market risk in the trading book portfolio (continued)

The historical simulation model used by the Bank incorporates the following features:

- potential market movements are calculated with reference to data from the past two years;
- historical market rates and prices are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank's trading book portfolios at the reporting date is as follows:

	1.1.2020 to 31.12.2020			
	As at 31.12.2020 RM'Million	Average RM'Million	Maximum RM'Million	Minimum RM'Million
Bank Islam				
Profit rate risk	2.76	1.88	3.32	0.01
Foreign exchange risk	0.42	0.47	1.02	0.23
Overall	3.18	2.36	3.89	0.36

	1.1.2019 to 31.12.2019			
	As at 31.12.2019 RM'Million	Average RM'Million	Maximum RM'Million	Minimum RM'Million
Bank Islam				
Profit rate risk	0.33	1.07	1.60	0.03
Foreign exchange risk	0.34	0.47	0.94	0.21
Overall	0.67	1.54	2.26	0.30

In addition to VaR, the Bank has put in place the maximum loss limits, position limits, tenor limits and PV01 limits in monitoring the trading book portfolio.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(a) Banking (continued)

(iv) Foreign exchange risk

The Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. The Bank also has in place the sensitivity limit. For the Bank-wide (trading book and banking book portfolios) foreign exchange risk, the Bank manages and controls by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

Assuming that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	2020		2019	
	-1% Depreciation RM'000	+1% Appreciation RM'000	-1% Depreciation RM'000	+1% Appreciation RM'000
Bank Islam				
US Dollar	8,844	(8,844)	11,611	(11,611)
Euro	5,072	(5,072)	4,591	(4,591)
Others	(194)	194	(279)	279

(b) Takaful

The key features of Takaful Malaysia's market risk management practices and policies are as follows:

- A group-wide market risk policy setting out the evaluation and determination of components of market risk for the Takaful Malaysia Group. Compliance with the policy is monitored and reported monthly to Takaful Malaysia's Risk Management Committee ("RMC") and exposures and breaches are reported as soon as practicable.
- Set asset allocation, portfolio limit structure and diversification benchmark to ensure that assets back specific contract liabilities and that assets are held to deliver income and gains for certificate holders in line with terms of the respective contracts expectations of policies. Takaful Malaysia's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with Takaful Malaysia's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(b) Takaful (continued)

Takaful Malaysia also issue unit-linked investment certificates. In the unit-linked business, the certificate holders bear investment risk on the assets held in the unit-linked funds as the certificate benefits are directly linked to value of the assets in the funds. Takaful Malaysia's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

(i) Profit yield risk

Profit yield risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit yield.

Floating rate/yield instruments expose Takaful to cash flow risk, whereas fixed rate/yield instruments expose Takaful to fair value risk.

Takaful Malaysia's profit risk policy requires its Management to manage the risk by maintaining an appropriate mix of fixed rate/yield instruments. The policy also requires Takaful management to manage the maturities of profit-bearing financial assets and liabilities. Floating rate/yield instruments will be re-priced at intervals of not more than one (1) year. Profit on fixed rate/yield instruments is priced at inception of the financial instrument and is fixed until maturity.

The profit yield profile of the Takaful Malaysia Group and its subsidiaries' significant profit-bearing financial instruments, based on carrying amounts as at the end of the reporting period is as follows:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Takaful Malaysia Group RM'000
Fixed rate instruments				
2020				
FVTPL financial assets	55,560	345,093	–	400,653
FVOCI financial assets	791,951	4,699,434	346,576	5,837,961
Amortised cost	811,130	1,674,644	524,952	3,010,726
	1,658,641	6,719,171	871,528	9,249,340
2019				
FVTPL financial assets	61,610	356,115	15,199	432,924
FVOCI financial assets	584,698	3,908,919	356,748	4,850,365
Amortised cost	732,187	1,816,032	371,977	2,920,196
	1,378,495	6,081,066	743,924	8,203,485

Takaful Malaysia has no significant concentration of profit yield risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(b) Takaful (continued)

(i) Profit yield risk (continued)

A change of 50 basis points in profit rates at the end of the reporting period would increase/(decrease) other comprehensive income/equity, Family and General Takaful participants' fund by the amounts shown below. This analysis assumes that all other variables remain constant.

Takaful Malaysia Group	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2020					
FVTPL financial assets	+50bps	(718)	(718)	(3,619)	(3,619)
FVOCI financial assets	+50bps	-	(20,604)	-	(192,210)
		(718)	(21,322)	(3,619)	(195,829)
FVTPL financial assets	-50bps	746	746	3,795	3,795
FVOCI financial assets	-50bps	-	22,181	-	215,028
		746	22,927	3,795	218,823
2019					
FVTPL financial assets	+50bps	(821)	(821)	(4,011)	(4,011)
FVOCI financial assets	+50bps	-	(13,932)	-	(171,751)
		(821)	(14,753)	(4,011)	(175,762)
FVTPL financial assets	-50bps	854	854	4,199	4,199
FVOCI financial assets	-50bps	-	14,863	-	184,903
		854	15,717	4,199	189,102

* Impact on equity reflects adjustments for tax, when applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(b) Takaful (continued)

(ii) Other price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

Takaful's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (excluding those investment securities held for the account of unit-linked business).

Takaful's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. Takaful and its subsidiaries comply with BNM stipulated limits during the financial year and has no significant concentration of price risk.

Equity price risk sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on OCI/Equity for Takaful Operator, and showing the impact on operating surplus and participants' fund for Family Takaful Fund and General Takaful Fund accordingly. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on individual basis. It should be noted that movements in these variables are non-linear.

	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on participants' fund RM'000
2020					
Market price	+15%	1,176	1,176	45,006	45,006
Market price	-15%	(1,176)	(1,176)	(45,006)	(45,006)
2019					
Market price	+15%	844	844	44,905	44,905
Market price	-15%	(810)	(810)	(44,905)	(44,905)

* Impact on equity reflects adjustments for tax, when applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.4 Market risk (continued)

(b) Takaful (continued)

(iii) Foreign exchange risk

Takaful Malaysia's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign exchange risk arises principally with respect to Indonesia Rupiah ("Rp") and US Dollar ("USD").

As Takaful Malaysia's business is conducted primarily in Malaysia, the Takaful Malaysia Group and its subsidiaries' financial assets are also primarily maintained in Malaysia as required under the Islamic Financial Services Act 2013, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment contract liabilities. Accordingly, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which takaful and investment contract liabilities are expected to be settled.

As Takaful Malaysia's main foreign exchange risk from recognised assets and liabilities arises from retakaful transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as Takaful Malaysia has no significant concentration of foreign currency risk.

Takaful Malaysia's exposure to currency risk is immaterial in the context of the financial statements and hence, sensitivity analysis is not presented.

49.5 Liquidity risk

Overview

Liquidity risk is the potential inability of the Group to meet its funding needs and regulatory obligation when they fall due, or will have to do it at excessive cost. This risk can arise from mismatches in the timing of cash flows.

The management reviews both Banking and Takaful business' liquidity risk separately due to the different nature of both businesses.

(a) Banking

In respect of Bank Islam, the Bank maintains a diversified and stable funding base comprising of retail and corporate customer deposits. This is augmented by wholesale funding and portfolios of highly liquid assets.

The objective of the Bank's liquidity management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market remains accessible and cost effective.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(a) Banking (continued)

Savings account, current account, investment accounts (IA) and term deposits form a critical part of the Bank's funding profile, and the Bank places considerable importance on maintaining their stability. The stability depends upon preserving depositor confidence in the Bank and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

The Bank's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and the internal limits are approved by the Bank's ALCO and/or BRC. The limits vary to take account of the depth and liquidity of the local market in which the Bank operates. The Bank maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by the Bank's ALCO and/or BRC, guided by the Board's approved Risk Appetite Statement.

The Bank's ALCO is responsible under the authority delegated by the Bank's BRC for managing liquidity risk at strategic level.

Management of liquidity risk

All liquidity risk exposures are managed by the Bank's Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and other risk controls are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring cash flows are relatively diversified across all maturities;
- Ensuring deposit base is diversified and not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market;
- Maintain sufficient highly liquid financial assets;
- Not over-extending financing activities relative to the deposit base; and
- Not over-relying on non-Ringggit liabilities to fund Ringggit assets.

The Bank's MRMD is the independent risk control function and is responsible for ensuring efficient implementation of liquidity risk management framework. It is also responsible for developing the Bank's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the Bank's ALCO and/or BRC, with proper authorities to ratify or approve the excess. In addition, the liquidity risk exposures and limits are regularly reported to the Bank's ALCO and the BRC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(a) Banking (continued)

Stress testing and scenario analysis are important tools used by the Bank to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress-testing provides the Bank's Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Bank.

Another key control feature of the Bank's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on the actions to be taken in order to minimise the adverse implications to the Bank.

Maturity analysis

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities.

As at 31 December 2020	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	725,644	4,490,732	-	361	-	-	5,216,737
Financial assets at FVTPL	-	482,108	-	30,051	50,041	619,000	1,181,200
Derivative financial assets	-	25,579	26,773	6,915	227	2,171	61,665
Financial assets at FVOCI	-	79,793	678,405	395,567	831,388	10,572,838	12,557,991
Financing, advances and others	-	1,799,333	1,054,893	429,657	377,000	51,009,752	54,670,635
Other financial assets at amortised cost*	192,574	-	-	-	-	-	192,574
Statutory deposits with Bank Negara Malaysia	192,425	-	-	-	-	-	192,425
Total assets	1,110,643	6,877,545	1,760,071	862,551	1,258,656	62,203,761	74,073,227

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. (continued)

As at 31 December 2020	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Liabilities							
Deposits from customers	17,914,224	12,210,156	8,395,068	5,830,244	4,957,014	1,770,556	51,077,262
Investment accounts of customers	5,113,275	2,482,295	2,231,737	1,913,851	620,569	6,801	12,368,528
Derivative financial liabilities	-	29,422	56,599	17,269	938	1,644	105,872
Bills and acceptance payable	29,621	-	-	-	-	-	29,621
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	1,501,187	1,501,187
Subordinated Sukuk Murabahah	-	-	3,904	9,260	-	1,700,000	1,713,164
Other liabilities*	978,556	-	-	-	-	59,523	1,038,079
Lease liabilities	-	1,409	2,267	3,323	6,437	298,993	312,429
Total liabilities	24,035,676	14,723,282	10,689,575	7,773,947	5,584,958	5,338,704	68,146,142
Net liquidity gap on statement of financial position	(22,925,033)	(7,845,737)	(8,929,504)	(6,911,396)	(4,326,302)	56,865,057	5,927,085
Commitments and contingencies	-	5,593,261	4,554,283	2,271,427	4,929,870	2,840,655	20,189,496
Net liquidity gap	(22,925,033)	(13,438,998)	(13,483,787)	(9,182,823)	(9,256,172)	54,024,402	(14,262,411)

* Excludes accruals

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. (continued)

As at 31 December 2019	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	821,600	2,650,438	–	348	–	–	3,472,386
Financial assets at FVTPL	–	239,130	149,760	30,227	–	243,951	663,068
Derivative financial assets	–	21,131	9,648	847	–	1,700	33,326
Financial assets at FVOCI	–	46,960	306,846	637,331	1,179,265	9,976,238	12,146,640
Financing, advances and others	–	1,656,360	2,048,159	625,811	285,044	44,857,148	49,472,522
Other financial assets at amortised cost*	137,655	–	–	–	–	–	137,655
Statutory deposits with Bank Negara Malaysia	1,170,136	–	–	–	–	–	1,170,136
Total assets	2,129,391	4,614,019	2,514,413	1,294,564	1,464,309	55,079,037	67,095,733

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

The table below summarises the Bank's assets and liabilities based on remaining contractual maturities. (continued)

As at 31 December 2019	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Liabilities							
Deposits from customers	15,754,886	7,664,642	10,048,295	4,185,962	7,595,820	2,159,133	47,408,738
Investment accounts of customers	3,211,343	1,120,694	2,655,565	2,358,169	880,619	13,983	10,240,373
Derivative financial liabilities	–	6,802	16,640	12,402	83	819	36,746
Bills and acceptance payable	49,084	–	–	–	–	–	49,084
Recourse obligations on financing sold to Cagamas	–	–	–	–	–	1,501,187	1,501,187
Subordinated Sukuk Murabahah	–	–	–	8,694	–	1,300,000	1,308,694
Other liabilities*	826,823	–	–	–	–	–	826,823
Lease liabilities	–	1,166	1,775	2,849	6,466	313,303	325,559
Total liabilities	19,842,136	8,793,304	12,722,275	6,568,076	8,482,988	5,288,425	61,697,204
Net liquidity gap on statement of financial position	(17,712,745)	(4,179,285)	(10,207,862)	(5,273,512)	(7,018,679)	49,790,612	5,398,529
Commitments and contingencies	–	5,599,469	3,048,462	1,775,866	2,884,732	4,105,652	17,414,181
Net liquidity gap	(17,712,745)	(9,778,754)	(13,256,324)	(7,049,378)	(9,903,411)	45,684,960	(12,015,652)

* Excludes accruals

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows:

As at 31 December 2020	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial liabilities						
Deposit from customers	30,022,422	8,429,037	5,879,065	5,061,386	1,919,877	51,311,787
Investment accounts of customers	7,610,826	2,240,679	1,930,504	630,355	7,427	12,419,791
Derivatives financial liabilities	256	2,183	7,528	30,583	349,233	389,783
<i>Forward contract</i>	11	-	-	-	-	11
<i>Islamic Profit Rate Swap</i>	245	2,183	7,528	30,583	349,233	389,772
Bills and acceptances payable	29,621	-	-	-	-	29,621
Recourse obligations on financing sold to Cagamas	5,913	11,826	17,739	35,478	1,600,520	1,671,476
Subordinated Sukuk Murabahah	-	7,356	27,700	35,834	2,253,966	2,324,856
Other liabilities	1,094,136	-	-	-	59,523	1,153,659
Lease liabilities	2,568	5,135	7,607	14,891	446,908	477,109
	38,765,742	10,696,216	7,870,143	5,808,527	6,637,454	69,778,082
Commitments and Contingencies						
Direct credit substitutes	33,126	27,503	59,186	86,857	243,675	450,347
Transaction related contingent items	57,950	45,608	73,025	250,072	472,045	898,700
Short-term self liquidating trade related contingencies	44,964	81,656	22,385	2,500	441,239	592,744
	136,040	154,767	154,596	339,429	1,156,959	1,941,791

* The detail maturity analysis are as below:

	>1 to 5 years RM'000	>5 to 10 years RM'000	>10 to 15 years RM'000	Total RM'000
Lease liabilities	108,870	151,299	186,739	446,908

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

Contractual maturity of financial liabilities on an undiscounted basis (continued)

The table below present the cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows:

As at 31 December 2019	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial liabilities						
Deposit from customers	23,378,991	10,115,669	4,248,065	7,833,915	2,386,490	47,963,130
Investment accounts of customers	4,335,416	2,637,953	2,165,791	1,153,574	36,508	10,329,242
Derivatives financial liabilities	5,529	20,360	19,987	30,779	644,638	721,293
<i>Forward contract</i>	5,284	18,158	12,402	83	–	35,927
<i>Islamic Profit Rate Swap</i>	245	2,202	7,585	30,696	644,638	685,366
Bills and acceptances payable	49,084	–	–	–	–	49,084
Recourse obligations on financing sold to Cagamas	5,929	11,856	17,784	35,569	1,671,916	1,743,054
Subordinated Sukuk Murabahah	–	–	34,921	35,235	1,717,989	1,788,145
Other liabilities	948,847	–	–	–	–	948,847
Lease liabilities	2,394	4,790	7,343	15,335	478,728*	508,590
	<u>28,726,190</u>	<u>12,790,628</u>	<u>6,493,891</u>	<u>9,104,407</u>	<u>6,936,269</u>	<u>64,051,385</u>
Commitments and Contingencies						
Direct credit substitutes	36,654	30,479	39,169	162,127	148,307	416,736
Transaction related contingent items	60,057	72,340	58,978	353,079	385,558	930,012
Short-term self liquidating trade related contingencies	40,750	50,118	1,998	2,500	508,372	603,738
	<u>137,461</u>	<u>152,937</u>	<u>100,145</u>	<u>517,706</u>	<u>1,042,237</u>	<u>1,950,486</u>

* The detail maturity analysis are as below:

	>1 to 5 years RM'000	>5 to 10 years RM'000	>10 to 15 years RM'000	Total RM'000
Lease liabilities	140,690	322,446	15,592	478,728

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(b) Takaful

The following policies and procedures are in place to mitigate exposure to liquidity risk at Takaful Malaysia level:

- Wide liquidity risk policy setting out the evaluation and determination of the components of liquidity risk. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Risk Management Committee as soon as practicable. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Setting up guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet takaful and investment contracts obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Takaful's catastrophe excess-of-loss retakaful contracts contains clauses permitting the immediate drawdown of funds to meet claims payments should claims events exceed certain amount.

Maturity analysis

The table below summarises the maturity profile of the financial liabilities of the Takaful Malaysia Group based on remaining undiscounted contractual obligations, including profit payable.

For provision for outstanding claims, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities.

Note	Carrying value RM'000	Contractual interest rate %	Up to a year * RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	More than 5 years RM'000	Contractual cash flow RM'000		
2020									
Provision for outstanding claims	22(a)		480,871	-	219,235	205,091	39,241	17,304	480,871
Lease liabilities		6.34% to 6.50%	807	639	220	-	-	-	859
Takaful payables	21		232,529	-	232,529	-	-	-	232,529
Other payables			438,811	-	436,772	2,039	-	-	438,811
			1,153,018		889,175	207,350	39,241	17,304	1,153,070
2019									
Provision for outstanding claims	22(a)		341,249	-	179,700	120,401	29,218	11,930	341,249
Lease liabilities		6.34% to 6.50%	988	595	457	-	-	-	1,052
Takaful payables	21		175,351	-	175,351	-	-	-	175,351
Other payables			314,592	-	312,613	1,979	-	-	314,592
			832,180		668,259	122,837	29,218	11,930	832,244

* Expected utilisation or settlement is within 12 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(c) Company

Maturity analysis

The table below summarises the Company's assets and liabilities based on remaining contractual maturities.

As at 31 December 2020	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds	319	317,269	-	-	-	-	317,588
Financial assets at FVTPL	7,555	-	-	-	-	-	7,555
Other financial assets at amortised cost*	495	59,715	-	-	-	-	60,210
	8,369	376,984	-	-	-	-	385,353
Liabilities							
Other liabilities	2,295	225,876	-	-	-	-	228,171
Sukuk liabilities	-	-	-	-	820	919,127	919,947
	2,295	225,876	-	-	820	919,127	1,148,118
Net liquidity gap	6,074	151,108	-	-	(820)	(919,127)	(762,765)

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(c) Company (continued)

Maturity analysis (continued)

The table below summarises the Company's assets and liabilities based on remaining contractual maturities. (continued)

As at 31 December 2019	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds	2,105	-	-	-	-	-	2,105
Deposits and placements with banks and other financial institutions	-	9,199	61,495	339,534	-	-	410,228
Financial assets at FVTPL	7,117	-	-	-	-	-	7,117
Other financial assets at amortised cost*	705	98,443	633	3,522	-	-	103,303
	<u>9,927</u>	<u>107,642</u>	<u>62,128</u>	<u>343,056</u>	<u>-</u>	<u>-</u>	<u>522,753</u>
Liabilities							
Other liabilities	2,282	282,285	-	-	-	-	284,567
Sukuk liabilities	-	-	-	-	820	880,273	881,093
	<u>2,282</u>	<u>282,285</u>	<u>-</u>	<u>-</u>	<u>820</u>	<u>880,273</u>	<u>1,165,660</u>
Net liquidity gap	<u>7,645</u>	<u>(174,643)</u>	<u>62,128</u>	<u>343,056</u>	<u>(820)</u>	<u>(880,273)</u>	<u>(642,907)</u>

* Excludes prepayments

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.5 Liquidity risk (continued)

(c) Company (continued)

Maturity analysis (continued)

Contractual maturity of financial liabilities on an undiscounted basis

The table below present the cash flows payable by the Company under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows:

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
As at 31 December 2020						
Financial liabilities						
Sukuk liabilities	-	-	-	15,708	1,081,517	1,097,225
	-	-	-	15,708	1,081,517	1,097,225
As at 31 December 2019						
Financial liabilities						
Sukuk liabilities	-	-	-	15,880	1,097,225	1,113,105
	-	-	-	15,880	1,097,225	1,113,105

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

49 FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

49.6 Operational risk

Banking

Overview

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 compliance risk but excludes strategic and reputational risk.

Management of operational risk

The Bank recognises and emphasises the importance of operational risk management (“ORM”) and manages 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’s overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

- **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. To reinforce accountability and ownership of risk and control, a Risk Controller for each risk taking unit is appointed to assist in driving the risk and control programme for the Bank.

In addition, an Embedded Risk & Compliance Unit (“ERU”) has been established within the significant business and support units (“BU/SU”). The ERU would assist in implementing and monitoring the ORM activities within the BU/SU. The ERU’s relationship and knowledge of the business allow for a more focused implementation and effective oversight of ORM within the BU/SU.

- **2nd line of defence** – Operational Risk Management Department (“ORMD”) is responsible for establishing and maintaining the ORM Framework, developing various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, 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, ORMD is also responsible to promote risk awareness across the Bank.

Shariah Risk Management Department (“SRM”), Compliance Division and Chief Information Security Officer (“CISO”) Office complement the role of ORMD as the second line of defence. SRM is responsible for managing the Shariah compliance risk (“SCR”) by establishing and maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling and monitoring SCR and promoting SCR awareness.

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 develops, reviewing and enhancing compliance-related training programmes as well as conducting training that promotes awareness creation.

CISO Office is responsible in managing technology risk by establishing, maintaining and enforcing technology risk policies and guidelines, as well as promoting bank wide awareness on technology risk. It also works closely with Information Technology Division (“ITD”) in identifying, assessing, mitigating and monitoring technology risk in the Bank.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

50 TAKAFUL RISK MANAGEMENT

(a) Family Takaful Fund

The Family Takaful contracts consist of:

(i) Family Takaful non-investment-linked contracts

The Family Takaful non-investment-linked contracts are mainly credit related takaful products, group takaful schemes, yearly renewable individual ordinary medical plans, regular contribution individual ordinary plans and annuity plans. The main product types are Mortgage Reducing Term Takaful ("MRTT"), Group Credit Takaful, Group Term Takaful and Group Medical Takaful.

(ii) Family Takaful investment-linked contracts

The Family Takaful investment-linked contracts are mainly made up of regular contribution investment-linked products. The main products are Takaful myInvest and Takaful myGenLife.

The key coverage for the Family Takaful contracts

The key coverage for the Family Takaful contracts are death, total and permanent disability, hospital and surgical benefits, personal accident benefits, daily hospitalisation cash allowance benefits, dread disease benefits, waiver of contribution benefits and survival benefits (for annuity).

Concentration of Family Takaful risk

The following gives details of Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia") Group's concentration of risks based on outstanding actuarial reserves by main product categories:

	Note	Gross RM'000	Retakaful RM'000	Group Net RM'000
2020				
Term		1,139,676	(3,542)	1,136,134
Endowment		851,886	(172)	851,714
Mortgage		3,691,306	(342,406)	3,348,900
Annuity		288,693	–	288,693
Total Family actuarial liabilities	22(c)	5,971,561	(346,120)	5,625,441
2019				
Term		1,108,400	–	1,108,400
Endowment		1,114,604	(202)	1,114,402
Mortgage		3,074,991	(315,412)	2,759,579
Annuity		295,309	–	295,309
Total Family actuarial liabilities	22(c)	5,593,304	(315,614)	5,277,690

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

50 TAKAFUL RISK MANAGEMENT (CONTINUED)

(a) Family Takaful Fund (continued)

Key assumptions

Reserves for all plans were valued on a basis that the Appointed Actuary considers adequate and appropriate, and in-line with the valuation basis set out by BNM in respect of the Guidelines on Valuation Basis for Liabilities of Family Takaful Business (BNM/RH/GL 004-20) and Risk-Based Capital Framework for Takaful Operator.

The key assumptions to which the estimation of actuarial liabilities is particularly sensitive to the followings:

– *Mortality and morbidity rates*

This is significant for contracts with significant coverage for death, total permanent disability and critical illness and the increase in the mortality or morbidity rates would have direct impact on the liability.

– *Discount rate*

As the liabilities represents the present value of future cash outflow, a reduction in discount rate would have an increasing impact on the liabilities and vice-versa.

– *Surrender rate*

This is only applicable to long-term products, where when the rate is reduced (products with PIF) or increased (products without PIF), the impact is an increase of the liability.

Sensitivities

A summary of key assumptions used for sensitivity analysis is as below:

	Group		
	Mortality and morbidity rates	Discount rate	Surrender rate
2020			
Endowment	+10% ⁽ⁱ⁾	-1%	-20%
Mortgage	+10% ⁽ⁱ⁾	-1%	-20%
Investment-linked	+10% ⁽ⁱ⁾	-1%	-20%
2019			
Endowment	+10% ⁽ⁱ⁾	-1%	-20%
Mortgage	+10% ⁽ⁱ⁾	-1%	-20%
Investment-linked	+10% ⁽ⁱ⁾	-1%	-20%

⁽ⁱ⁾ 10% Industry mortality and morbidity experience tables M8388 and M9903

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

50 TAKAFUL RISK MANAGEMENT (CONTINUED)

(a) Family Takaful Fund (continued)

Sensitivities (continued)

The analysis below is performed for reasonable possible movements in each of the key assumptions, with all other assumptions held constant, showing the impact on gross and net liabilities, and unallocated surplus. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. However, in order to demonstrate the impact arising from changes in assumptions, these assumptions had to be changed on an individual basis. It should also be noted that movement in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

				Group
	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on unallocated surplus RM'000
2020				
Mortality/morbidity rate	+10%	369,843	224,435	(224,435)
Discount rate	-1%	259,131	193,146	(193,146)
Surrender rate	-20%	90,200	47,129	(47,129)
2019				
Mortality/morbidity rate	+10%	335,691	207,706	(207,706)
Discount rate	-1%	251,542	190,790	(190,790)
Surrender rate	-20%	82,005	42,630	(42,630)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

50 TAKAFUL RISK MANAGEMENT (CONTINUED)

(b) General Takaful Fund

The General Takaful contracts consist of fire, motor, personal accident, workmen's compensation and employers' liability, liabilities and engineering and others.

Concentration of General Takaful risk

The table below sets out the concentration of General Takaful gross contribution by type of business.

	Gross RM'000	Retakaful RM'000	Group Net RM'000
2020			
Fire	266,276	(109,392)	156,884
Motor	418,229	(182,216)	236,013
Marine	5,761	(2,338)	3,423
Miscellaneous	137,672	(48,517)	89,155
Gross contribution	827,938	(342,463)	485,475
2019			
Fire	262,515	(108,464)	154,051
Motor	331,686	(134,926)	196,760
Marine	7,833	(6,771)	1,062
Miscellaneous	121,533	(40,204)	81,329
Gross contribution	723,567	(290,365)	433,202

Key assumptions

The provision for Takaful liabilities is in accordance with the valuation methods set out by BNM in respect of the Guidelines on Valuation Basis for Liabilities of General Takaful Business (BNM/RH/GL 004-21) and Risk-Based Capital Framework for Takaful Operator. The key assumptions underlying the estimation of liabilities is that the Takaful Malaysia Group's future claims development will follow a similar pattern to past claims development experience, including average claim cost, average claim frequency and business mix for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrences, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, underwriting policy, certificate conditions and claims handling procedures.

Other key circumstances affecting the reliability of assumptions include delays in settlement and changes in foreign currency rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

50 TAKAFUL RISK MANAGEMENT (CONTINUED)

(b) General Takaful Fund (continued)

Sensitivities

The General Takaful claim liabilities are sensitive to the above key assumptions and any changes to these assumptions may impact the liabilities and operating surplus of the General Takaful Fund significantly. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and operating surplus. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. However, in order to demonstrate the impact arising from changes in assumptions, these assumptions had to be changed on an individual basis. It should also be noted that movement in these assumptions are non-linear.

The key assumptions to which the estimation of actuarial liabilities is particularly sensitive to the followings:

– *Fire loss ratio for latest accident year*

This is significant as Fire portfolio is one of the largest under general business, a change in loss ratio estimate will impact the liabilities significantly.

– *Motor Act loss ratio for latest accident year*

Motor Act business is long term in nature, and would take years before experiencing claim incidents. A significant impact may result if the ultimate experience differs from current estimation.

– *Average claim cost*

Reserves are based on the assumption that historical average claim cost is reflective of the potential future experience. Increase in average cost will have an impact on future liabilities.

– *Average claim frequency*

Reserves are based on the assumption that historical average claim number in each accident year is reflective of the potential future experience. A change in average number of claims will have an impact on future liabilities.

– *Average claim settlement period*

Reserves are based on the assumption that claim settlement period is expected to be stable over the years. A change in claim handling practice will have an impact on claim cost and future liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

50 TAKAFUL RISK MANAGEMENT (CONTINUED)

(b) General Takaful Fund (continued)

Sensitivities (continued)

The summary of changes in key assumptions and the impact to the gross and net claim liabilities, and the operating surplus, are shown below:

		Group		
	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on operating surplus RM'000
2020				
Fire loss ratio for AY 2020	+10%	21,940	11,858	(11,858)
Motor Act loss ratio for AY 2020	+10%	6,740	4,062	(4,062)
Average unpaid claims	+10%	71,965	25,505	(25,505)
Average claim frequency	+10%	20,465	11,655	(11,655)
Average claim settlement period	Increase by 6 months	44,278	41,940	(41,940)
2019				
Fire loss ratio for AY 2019	+10%	26,246	15,471	(15,471)
Motor Act loss ratio for AY 2019	+10%	4,465	2,950	(2,950)
Average unpaid claims	+10%	53,072	23,508	(23,508)
Average claim frequency	+10%	17,244	10,882	(10,882)
Average claim settlement period	Increase by 6 months	87,928	46,848	(46,848)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of reporting period, together with cumulative payments to-date.

In setting provisions for claims, Takaful Malaysia Group gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting aside reserves when there is considerable uncertainty.

In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

50 TAKAFUL RISK MANAGEMENT (CONTINUED)

(b) General Takaful Fund (continued)

Net General Takaful contract liabilities for 2020 (Group)

Accident year	Before 2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year	145,951	149,409	127,623	130,234	158,981	218,797	233,780	201,454	
One year later	131,597	128,160	121,144	130,936	150,209	200,540	197,759	-	
Two years later	121,436	120,438	112,551	127,663	140,847	192,251	-	-	
Three years later	114,847	114,884	105,004	124,901	138,651	-	-	-	
Four years later	108,663	111,191	103,672	123,640	-	-	-	-	
Five years later	110,447	111,283	103,724	-	-	-	-	-	
Six years later	109,976	110,775	-	-	-	-	-	-	
Seven years later	110,018	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	110,018	110,775	103,724	123,640	138,651	192,251	197,759	201,454	1,178,272
At end of accident year	(41,956)	(43,125)	(42,496)	(54,552)	(67,730)	(90,056)	(97,579)	(72,745)	
One year later	(84,498)	(88,199)	(84,402)	(97,117)	(117,548)	(149,370)	(146,663)	-	
Two years later	(101,303)	(103,471)	(96,660)	(113,364)	(129,329)	(166,084)	-	-	
Three years later	(105,696)	(108,312)	(100,570)	(119,281)	(132,997)	-	-	-	
Four years later	(105,070)	(109,189)	(101,961)	(121,171)	-	-	-	-	
Five years later	(109,430)	(109,784)	(102,880)	-	-	-	-	-	
Six years later	(109,517)	(110,020)	-	-	-	-	-	-	
Seven years later	(109,475)	-	-	-	-	-	-	-	
Cumulative payments to-date	(109,475)	(110,020)	(102,880)	(121,171)	(132,997)	(166,084)	(146,663)	(72,745)	(962,035)
Net General Takaful contract liabilities	543	755	844	2,469	5,654	26,167	51,096	128,709	216,237
Additional risk margin									26,608
Net General Takaful contract liabilities per Note 22(a)									242,845

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of MFRS 7, "Financial Instruments: Disclosure and Presentation" which requires the fair value information to be disclosed.

The fair values are based on the following methodologies and assumptions:

Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining year to maturity.

Financial assets measured at FVTPL, FVOCI

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Non-market observable inputs also include valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category are unquoted equity securities.

Financing, advances and others

The fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities. The fair values are represented by their carrying value, net of impairment loss, being the recoverable amount.

Deposits from customers and investment accounts of customers

The fair values of deposits are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining year to maturities.

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturity of less than six months approximate their carrying values. For bills and acceptances payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.

Investment properties

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Fair value hierarchy

MFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques adopted are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rates swap and structured debt. The sources of input parameters include BNM indicative yields.

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either direction).

- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

2020 Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	
Financial assets									
Financial assets at FVTPL	550,457	1,442,988	380	1,993,825	-	-	-	1,993,825	1,993,825
Derivative financial assets	-	61,665	-	61,665	-	-	-	61,665	61,665
Financial assets at FVOCI	13,755	17,679,515	702,682	18,395,952	-	-	-	18,395,952	18,395,952
Financing, advances and others	-	-	-	-	-	-	58,065,344	58,065,344	54,670,635
Total assets	564,212	19,184,168	703,062	20,451,442	-	-	58,065,344	78,516,786	75,122,077
Financial liabilities									
Derivative financial liabilities	-	105,872	-	105,872	-	-	-	105,872	105,872
Recurse obligations on financing sold to Cagamas	-	-	-	-	-	-	1,577,805	1,577,805	1,501,187
Sukuk liabilities	-	-	-	-	-	-	2,724,169	2,724,169	2,633,111
Total liabilities	-	105,872	-	105,872	-	-	4,301,974	4,407,846	4,240,170
	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2020 Company									
Financial assets									
Financial assets at FVTPL	7,555	-	-	7,555	-	-	-	7,555	7,555
Total assets	7,555	-	-	7,555	-	-	-	7,555	7,555
Financial liabilities									
Sukuk liabilities	-	-	-	-	-	-	993,933	993,933	919,947
Total liabilities	-	-	-	-	-	-	993,933	993,933	919,947

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2020 for the Group:

	Group RM'000
Financial assets at FVOCI	
At 1 January 2019	341,697
Purchases	205,844
Disposal	(15,842)
Gains recognised in profit or loss	
– Investment income – realised	20,020
Gains recognised in other comprehensive income	
– Net change in fair value (unrealised)	17,114
At 31 December 2019/1 January 2020	568,833
Purchases	100,000
Disposal	(4,111)
Gains recognised in profit or loss	
– Investment income - realised	28,309
Gains recognised in other comprehensive income	
– Net change in fair value (unrealised)	9,651
At 31 December 2020	702,682

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Financial assets measured at FVOCI

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Unquoted shares	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value
Institutional trust account	Discounted cash flows using market profit rate for a similar instrument at the measurement date	4.58% (2019: 4.58%)	The estimated fair value would increase (decrease) if the discount rate were (lower) higher

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments carried at fair value (continued)

Valuation processes applied by the Group for Level 3 fair value

The Group has an established control framework in respect of the measurement of fair value of financial instruments. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Investment Officer and Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

Sensitivity analysis for Level 3

	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on Participants' fund RM'000
2020					
Discount rate	+1%	–	(1,812)	(15,018)	(15,018)
Discount rate	-1%	–	1,881	15,685	15,685
2019					
Discount rate	+1%	–	(2,450)	(10,789)	(10,789)
Discount rate	-1%	–	2,564	11,270	11,270

* Impact on equity reflects adjustments for tax, when applicable.

(b) Financial instruments not carried at fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Other financial assets at amortised cost

The fair values of securities that are actively traded is determined by quoted mid prices. For non-actively traded securities, the fair values are valued at cost less impairment or estimated using discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Financing, advances and others

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Subordinated Sukuk Murabahah and Recourse obligations on financing sold to Cagamas

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates of borrowings with similar risk profiles.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

52 CAPITAL COMMITMENTS

	Group	
	2020	2019
	RM'000	RM'000
Property and equipment:		
Contracted but not provided for in the financial statements	167,595	114,949

53 CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor the adequacy of capital on an ongoing basis.

There were no changes in the Group's approach to capital management during the financial year.

Under the Listing Requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The capital requirements in respect of Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Keluarga Berhad and BIMB Securities Sdn. Bhd. are subject to regulatory requirements either from Bank Negara Malaysia or Bursa Malaysia Berhad.

54 OPERATING SEGMENT INFORMATION

Performance is measured based on segment profit/(loss) before zakat and taxation, as included in the internal management reports that are reviewed by the Chief Executive Officer of the Group's holding company. Segment profit/(loss) before zakat and taxation is used to measure performance as management believes that such information is the most relevant in evaluating segmental results relative to other entities that operate within these industries. In the preceding year, performance was measured based on segmental results from operating activities and included items directly attributable to a segment as well as those that could be allocated on a reasonable basis.

The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group's operation is not presented.

Segment information is presented in respect of the Group's main business segment.

Business segments

The Group comprises of the following main business segments:

Banking	Islamic banking and provision of related services.
Takaful	Underwriting of family and general Islamic insurance ("Takaful").
Others	Investment holding, ijarah financing, stockbroking and unit trust.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

54 OPERATING SEGMENT INFORMATION (CONTINUED)

2020	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Business segments					
Segment result					
Revenue from external customers	3,314,020	1,655,375	10,714	–	4,980,109
Inter-segment revenue	28,182	31,857	362,912	(422,951)	–
Total revenue	3,342,202	1,687,232	373,626	(422,951)	4,980,109
Net income from operations (before allowances for impairment on financing and other assets)	2,113,697	1,070,495	373,626	(392,729)	3,165,089
Operating overheads	(1,088,112)	(643,999)	(23,443)	37,355	(1,718,199)
Operating results	1,025,585	426,496	350,183	(355,374)	1,446,890
Allowances for impairment	(205,914)	–	(41,165)	41,165	(205,914)
Finance cost	(91,458)	(92)	(54,778)	2,637	(143,691)
Profit before zakat and taxation	728,213	426,404	254,240	(311,572)	1,097,285
Segment assets	74,637,022	11,690,340	6,133,023	(6,550,484)	85,909,901
Segment liabilities	68,351,323	10,172,584	1,175,542	(942,626)	78,756,823
2019					
Business segments					
Segment result					
Revenue from external customers	3,613,184	1,758,738	9,724	–	5,381,646
Inter-segment revenue	31,512	29,686	422,213	(483,411)	–
Total revenue	3,644,696	1,788,424	431,937	(483,411)	5,381,646
Net income from operations (before allowances for impairment on financing and other assets)	2,092,751	1,123,384	431,937	(456,844)	3,191,228
Operating overheads	(1,073,843)	(705,290)	(24,350)	42,835	(1,760,648)
Operating results	1,018,908	418,094	407,587	(414,009)	1,430,580
Allowances for impairment	(87,448)	–	(4,822)	4,822	(87,448)
Finance cost	(87,980)	(103)	(52,785)	2,750	(138,118)
Profit before zakat and taxation	843,480	417,991	349,980	(406,437)	1,205,014
Segment assets	67,593,802	10,254,080	6,018,581	(6,602,970)	77,263,493
Segment liabilities	61,879,349	9,022,673	1,191,025	(1,247,697)	70,845,350

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

55 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group's banking subsidiary makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These exclude all contracts cleared in the normal course of the takaful business.

As disclosed in Note 56, the Company announced that it proposed to undertake various proposal as disclosed in Note 57. The assets and liabilities, including the commitments and contingencies below are classified as held for sale because they are held for distribution to owners of the Group.

The off-balance sheet and counterparties credit risk for Bank Islam is as follows:

31 December 2020				
Nature of item	Principal amount	Positive fair value of derivative contracts	Credit equivalent amount	Risk weighted asset
	RM'000	RM'000	RM'000	RM'000
Credit related exposures				
Direct credit substitutes	449,506	–	449,506	442,426
Transaction related contingent items	899,541	–	449,770	436,481
Short term self-liquidating trade related contingencies	592,744	–	118,549	117,165
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	938,247	–	469,124	362,317
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	8,676,980	–	–	–
	11,557,018	–	1,486,949	1,358,389
Derivative Financial Instruments				
Foreign exchange related contracts				
– less than one year	8,518,422	59,494	143,217	60,587
Profit rate related contracts				
– one year to less than five years	114,056	2,171	5,414	4,045
	8,632,478	61,665	148,631	64,632
Total	20,189,496	61,665	1,635,580	1,423,021

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

55 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The off-balance sheet and counterparties credit risk for Bank Islam is as follows: (continued)

31 December 2019 Nature of item	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted asset RM'000
Credit related exposures				
Direct credit substitutes	416,059	–	416,059	413,653
Transaction related contingent items	930,689	–	465,344	442,978
Short term self-liquidating trade related contingencies	603,739	–	120,748	120,588
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	1,168,133	–	584,067	433,070
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,892,943	–	–	–
	11,011,563	–	1,586,218	1,410,289
Derivative Financial Instruments				
Foreign exchange related contracts				
– less than one year	6,255,520	31,626	72,532	38,011
Profit rate related contracts				
– one year to less than five years	147,098	1,700	7,240	4,886
	6,402,618	33,326	79,772	42,897
Total	17,414,181	33,326	1,665,990	1,453,186

56 DISCONTINUED OPERATIONS

As disclosed in Note 57 to the financial statements, BIMB Holdings Berhad ("BHB" or "the Company") had announced and proposed to undertake various proposals which entails the disposal of its equity interest in BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. to Bank Islam Malaysia Berhad ("Bank Islam"), the distribution of its shareholdings in Bank Islam and Syarikat Takaful Malaysia Keluarga Berhad by way of distribution-in-specie to its shareholders, and subsequently the delisting of the Company and issuance of two (2) new BHB shares to Bank Islam such that the BHB will become a wholly-owned subsidiary of Bank Islam. BHB is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

Consequently, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) COVID-19 effects

The World Health Organisation declared the outbreak of Coronavirus disease (COVID-19) as a global pandemic in March 2020. The direct and indirect effects of the COVID-19 outbreak have impacted the global economy, markets and the Group's counterparties and clients.

The COVID-19 effects have a material negative impact on the Group's results of operations. In particular, the process to determine expected credit losses ('ECL') requires numerous estimates and assumptions, some of which require a high degree of judgement. Changes in the estimates and assumptions can result in significant changes in ECL. The Group is not able to predict the COVID-19's potential future direct or indirect effects other than as disclosed in Note 49.3 (iii). However, the Group is taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

(b) Proposed Placement, Proposed Scheme of Arrangement ("SOA"), Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status (collectively referred to as the 'Proposals')

On 11 December 2019, BIMB Holdings Berhad ("BHB") had announced and proposed to undertake the following proposals:

(i) Proposed Placement

Proposed Placement of new ordinary shares in BHB to raise gross proceeds of up to RM800 million. The proceeds together with internal cash will be used to fully settle BHB's outstanding sukuk.

(ii) Proposed Scheme of Arrangement

Proposed payment to the warrant holder of the outstanding warrants 2013/2023 of BHB by way of a scheme of arrangement under section 366 of the Companies Act 2016 ("the Act"). The total warrants consideration to be paid by BHB will be funded using internally generated funds of BHB.

(iii) Proposed Internal Reorganisation

BHB proposes to undertake the Proposed Internal Reorganisation which will entail the disposal by BHB of its entire shareholdings in the identified subsidiaries namely BIMB Securities (Holdings) Sdn. Bhd., BIMB Securities Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. to its wholly owned subsidiary, Bank Islam Malaysia Berhad ("Bank Islam" or "the Bank") to be fully settled in cash. The consideration for these disposals will be based on the latest audited net asset value of these subsidiaries at the time of the signing of the share sale agreement with the Bank and will be funded using internally generated funds of the Bank.

(iv) Proposed Distribution and Capital Repayment

Proposed distribution of the entire shareholdings of BHB in the Bank and Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") by way of distribution-in-specie via a reduction and repayment of the entire share capital of BHB in accordance with Section 115 and Section 116 of the Act as well as using the retained earnings of BHB.

Prior to the Proposed Distribution and Capital Repayment, BHB will undergo a capital reduction and the Bank will undertake a share consolidation. This is to match BHB's outstanding shares so that the distribution of the Bank shares will be on a one-for-one basis.

Upon completion of the proposed distribution and capital repayment, BHB's shareholders will hold direct equity interest in the Bank and STMKB shares in proportion to their shareholding in BHB and BHB will cease to be a shareholder of the Bank and STMKB. The shareholders through their direct exposure in Bank Islam and STMKB can manage their investment exposure or rebalance their portfolios in banking and takaful industries according to their own investment objectives.

Concurrently with the completion of the proposed distribution and capital repayment, BHB will issue two (2) new BHB shares to the Bank such that BHB will become a wholly-owned subsidiary of Bank Islam.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

57 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Proposed Placement, Proposed Scheme of Arrangement (“SOA”), Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status (collectively referred to as the ‘Proposals’) (continued)

On 11 December 2019, BIMB Holdings Berhad (“BHB”) had announced and proposed to undertake the following proposals: (continued)

(v) Proposed Transfer of Listing

After the completion of the Proposed Distribution and Capital Repayment, the Bank will assume the listing status of BHB. Accordingly, BHB proposed that the Bank be admitted to the official list of Bursa Malaysia Securities Berhad (“Bursa Securities”) in place of BHB, with the listing and quotation of the entire consolidated the Bank shares on the main market of Bursa Securities.

The Bank will emerge as the first pure-play full-fledged Islamic financial institution to be listed in the region and enhance its corporate stature. The listing will allow Bank Islam to better position itself in the Islamic finance and Islamic capital market and capitalise on the growth of both markets in its efforts to expand its customer base.

The Proposed Placement, Proposed SOA, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing are not conditional upon each other, save for the following:

- (i) The Proposed Distribution and Capital Repayment is conditional upon the Proposed Internal Reorganisation and Proposed Transfer of Listing; and
- (ii) The Proposed Transfer of Listing is conditional upon the Proposed Internal Reorganisation and Proposed Distribution and Capital Repayment.

BHB has on 10 December 2020 announced that it has received the approval from the Minister of Finance (on the recommendation of BNM), and BNM in relation to the Proposals. On 23 February 2021, BHB has announced that it has received approval from Bursa Securities for the listing and quotation of BHB shares to be issued pursuant to the Proposed Placements and admission of the Bank to the official list of Bursa Securities and the listing of and quotation for the entire issued share capital of the Bank on the Main Market of Bursa Securities pursuant to the Proposed Transfer of Listing.

On 29 March 2021, BHB has announced that it has received approval from Securities Commission Malaysia for the change in controller for BIMB Securities Sdn. Bhd. pursuant to the proposed internal reorganisation.

Subsequently, at the BHB’s Extraordinary General Meeting held on 31 March 2021, all resolutions pertaining to the corporate exercise were duly passed by the shareholders. At a court convened meeting also held on the same date, the warrant holders have passed the resolution on the proposed scheme of arrangement.

The Proposals are now subject to the approvals and/or consent being obtained from shareholder of the Bank, sanction of the High Court of Malaya, the creditors and/or financiers of the BHB Group, the Bank and Identified Subsidiaries, if required and any other relevant regulatory authorities and/or parties, if required.

58 SUBSEQUENT EVENTS

- (a) On 30 November 2020, the Board of Directors of BIMB Holdings Berhad (“BHB”) had declared an interim dividend of 12.60 sen per ordinary share in BHB for the financial year ended 31 December 2020 and paid on 18 January 2021.

From the total dividend amount declared of RM225.9 million, approximately 9% or RM20.4 million was distributed as cash dividend whilst the remaining 91% amounting to RM205.5 million was reinvested to subscribe for 60,986,700 new ordinary shares at RM3.37 each via the Dividend Reinvestment Plan.

- (b) On 13 January 2021, the Government of Malaysia reintroduced the movement control order to curb the soaring number of COVID-19 cases. The lock down may have a negative impact on the Group’s results of operation, similar to the areas highlighted in Note 57 (a). The Group is not able to predict the potential future direct or indirect effects resulted from the movement control order other than as disclosed in Note 49.3 (iii). However, the Group is taking actions to mitigate the impacts, and will continue to closely monitor the impact and the related risks as they evolve.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIMB HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO. REGISTRATION NO: 199701008362 (423858-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of BIMB Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 168 to 337.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company 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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIMB HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO. REGISTRATION NO: 199701008362 (423858-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Impairment of Financing, Advances and Others</p> <p>Refer to Note 2.5 and 2.12 of the summary of significant accounting policies and Notes 8, 35 and 49.3 (iii) of the Financial Statements.</p> <p>We focused on this area due to the size of the carrying value of financing, advances and others, which represented 63.6% of total assets of the Group.</p> <p>In addition, impairment is a highly subjective area as the Group exercised significant judgement on the following areas:</p> <p><u>Timing of identification of Stage 2 and Stage 3 financing, advances and others</u></p> <ul style="list-style-type: none"> Assessment of objective evidence of impairment of financing, advances and others based on mandatory and judgemental triggers. Identification of financing, advances and others that have experienced a significant increase in credit risk. <p><u>Individual assessment</u></p> <p>Estimates on the amount and timing of futures cash flows based on realisation of collateral or customer's business cash flows.</p> <p><u>Collective assessment</u></p> <p>Choosing the appropriate collective assessment models and assumptions for the measurement of ECL such as expected future cash flows and forward – looking macroeconomic factors given the wide range of potential economic outcomes due to COVID-19.</p>	<p>We tested the design and operating effectiveness of the controls over impairment of financing, advances and others. These controls covered:</p> <ul style="list-style-type: none"> Identification of financing, advances and others that have experienced significant increase in credit risk or objective evidence of impairment; Governance over the impairment processes, including model development, model approval and model validation; Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions into respective ECL models; and Review and approval of the ECL calculation. <p>Our detailed testing over the financing, advances and others are as follows:</p> <p><u>Individual assessment</u></p> <ul style="list-style-type: none"> Examined a sample of financing, advances and others particularly focused on customers identified by the Group as having lower credit quality, rescheduled and restructured, borrowers in high risk industries impacted by COVID-19, and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment. Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed. <p><u>Collective assessment</u></p> <ul style="list-style-type: none"> Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the management to determine the key assumptions used in respective ECL models; Assessed and tested the significant modelling assumptions, including the basis or judgment used for management's overlays; Assessed and considered reasonableness of forward-looking forecasts assumptions; and Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis. <p>Based on the procedures performed on individual and collective assessment, we did not find any material exceptions to the Group's assessment on impairment of financing, advances and others.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIMB HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO. REGISTRATION NO: 199701008362 (423858-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Valuation of takaful contract liabilities</p> <p>Refer to Note 2.15 and 2.16 of the summary of significant accounting policies and Notes 22 and Note 50 of the Financial Statements.</p> <p>We focused on this area due to the size of the carrying value of takaful contract liabilities which represents 11.6% of the Group's total liabilities.</p> <p>In addition, valuation of takaful contract liabilities is a highly subjective area as the Group exercised significant judgement on the following areas:</p> <p><u>Actuarial liabilities – family takaful contract liabilities</u></p> <p>The actuarial liabilities have been estimated based on the actuarial valuation methodologies as allowed under the Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") issued by Bank Negara Malaysia ("BNM").</p> <p>Family takaful contract liabilities to the unitholders and the participants' accounts balances are substantially based on the value of the account balance. Liabilities for unearned revenue and takaful benefits which are dependent upon operating assumptions and future investment return assumptions that are reassessed at each reporting period.</p> <p>As part of our audit, we focused on management's valuation of the actuarial liabilities where it involves significant judgement about uncertain future outcomes, including assumptions on mortality, morbidity, surrender rates, and discount rates, as well as actuarial valuation methodologies.</p>	<p>Our audit procedures included the following:</p> <p><u>Actuarial liabilities – family takaful contract liabilities</u></p> <ul style="list-style-type: none"> • Evaluated the design and tested the key controls over the family takaful actuarial reserving process, including controls over the reliability of data used in the calculation of actuarial liabilities. • Engaged our actuarial experts to assist us to assess if the valuation methodologies used by the Group is in line with the valuation methods specified in the RBCT Framework. We also compared if the valuation methodologies are consistent with recognised actuarial practices derived from market experience. • Assessed the reasonableness of the key actuarial assumptions, particularly around mortality, morbidity, surrender rates, and discount rates by: <ul style="list-style-type: none"> (a) Reviewing the approach used by management to derive the assumptions using our industry knowledge and experience; (b) Comparing them with the Group's actual historical experience, market observable data (as applicable) and our views of current trends and experience to-date. • Evaluated the Group's assessment of COVID-19 on the actuarial liabilities including key judgements in relation to potential claims arising from circumstances connected with the COVID-19 pandemic. • Performed an independent review of model points on sample basis to assess if the methodologies and assumptions reviewed have been consistently applied. • Assessed the analysis of movements in actuarial liabilities to determine whether the movements during the year are consistent with key actuarial assumptions adopted by the Group and our knowledge of developments in the family takaful business. • Assessed the appropriateness and adequacy of the Group's disclosures in relation to actuarial liabilities in the financial statements, including sensitivity analysis of the key actuarial assumptions to different scenarios.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIMB HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO. REGISTRATION NO: 199701008362 (423858-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Valuation of takaful contract liabilities (continued)</p> <p><u>Provision for outstanding claims and unearned contribution – general takaful contract liabilities</u></p> <p>The valuation of provision for outstanding claims involves a range of standard actuarial methodologies as allowed under the RBCT Framework and relies on a number of assumptions including past claims development experiences, management's judgement on external factors and regulatory changes, and internal factors such as portfolio mix and claims handling process. The estimation of provision for outstanding claims is sensitive to various factors and uncertainties.</p> <p>The provision for unearned contribution is based on the higher of Unexpired Risk Reserves ("URR") and Unearned Contribution Reserves ("UCR") as required under the RBCT Framework. The estimation of URR involves significant judgement in identifying best estimate values of future contractual cash flows in consideration of the expected loss and expenses for policies in-force as at year-end at the required risk margin for adverse deviation.</p>	<p><u>Provision for outstanding claims and unearned contribution – general takaful contract liabilities</u></p> <ul style="list-style-type: none"> • Evaluated the design and tested key controls over the reserving process, including controls over the completeness and accuracy of contribution data, and settlement of claims that support key reserving calculations and controls over the valuation of provision for outstanding claims and provision for unearned contribution. • Tested the underlying data used in estimation of the general takaful contract liabilities to source documents. • Engaged our actuarial experts to assist us in reviewing and assessing the methodologies, basis and key assumptions used in the valuation of provision for outstanding claims and provision for unearned contribution in accordance with the requirements of the RBCT Framework and liability adequacy test under MFRS 4 'Insurance Contracts'. • Reviewed and assessed the reasonableness of key actuarial assumptions by referencing to the Group's historical experiences, current trends and our own industry knowledge. • Our actuarial experts performed independent reprojections of outstanding claims and reviewed the calculation of the unexpired risk reserves ("URR") for selected major classes of business, focusing on the largest and most uncertain outstanding claims and URR to ensure that the assumptions and methodology used are appropriate. • Assessed the appropriateness and adequacy of the Group's disclosures in relation to the general takaful contract liabilities in the financial statements, including the historical claims development and sensitivity analysis of key assumptions used in the valuation of general takaful contract liabilities. • Specific to the current environment, we evaluated the Group's assessment of COVID-19 on provision for outstanding claims and provision for unearned contribution, including key judgement used when determining the provision for outstanding claims and URR. <p>Based on the procedures performed, we did not find any material exceptions in the methodology and key assumptions used in the valuation of family and general takaful contract liabilities.</p>

There are no key audit matters to report for the Company.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIMB HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO. REGISTRATION NO: 199701008362 (423858-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Director's Report, which we obtained prior to the date of this auditors' report, and Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIMB HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA)

(COMPANY NO. REGISTRATION NO: 199701008362 (423858-X))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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: (continued)

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, 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.



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
14 April 2021



DATO' MOHAMMAD FAIZ BIN MOHAMMAD AZMI
02025/03/2022 J
Chartered Accountant

SHARE & WARRANT HOLDINGS STATISTICS

AS AT 31 MARCH 2021

ANALYSIS OF SHAREHOLDINGS as at 31 March 2021

Size of Shareholdings	No. of Holders		No. of Holdings		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	659	8	6,812	143	0.00	0.00
100 - 1,000	1,910	32	1,071,839	20,375	0.06	0.00
1,001 - 10,000	2,603	57	10,067,886	248,510	0.54	0.01
10,001 - 100,000	682	83	19,112,571	3,337,414	1.03	0.18
100,001 to 92,682,524 (*)	199	51	353,330,555	33,706,405	19.06	1.82
92,682,525 and above (**)	4	0	1,432,748,004	0	77.29	0.00
Total	6,057	231	1,861,337,667	37,312,847	97.98	2.01
Grand Total	No. of Holders		No. of Holdings		%	
	6,288		1,853,650,514		99.99	

Note:

* Less than 5% of issued holdings

** 5% and above of issued holdings

DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	No. of Shares	
		Direct Interest	%
1	Tan Sri Haji Ambrin bin Buang	–	–
2	Mohd Tarmidzi bin Ahmad Nordin	–	–
3	Noraini binti Che Dan	–	–
4	Nik Mohd Hasyudeen bin Yusoff	–	–
5	Zahari @ Mohd Zin Idris	–	–

SUBSTANTIAL SHAREHOLDERS

No.	Name of Substantial Shareholders	No. of Shares	%
1	Lembaga Tabung Haji	985,113,900	53.14
2	Employees Provident Fund Board Registered with: Citigroup Nominees (Tempatan) Sdn. Bhd.	226,808,701	12.24
3	Amanah Saham Bumiputera Registered with: AmanahRaya Trustees Berhad	142,986,100	7.71
4	Permodalan Nasional Berhad	93,932,503	5.07

SHARE & WARRANT HOLDINGS STATISTICS

AS AT 31 MARCH 2021

LIST OF TOP 30 SHAREHOLDERS

No.	Name	Holdings	%
1	Lembaga Tabung Haji	985,113,900	53.14
2	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	210,715,501	11.37
3	Amanahraya Trustees Berhad Amanah Saham Bumiputera	142,986,100	7.71
4	Permodalan Nasional Berhad	93,932,503	5.07
5	Kumpulan Wang Persaraan (Diperbadankan)	49,145,080	2.65
6	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	31,360,380	1.69
7	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	12,824,971	0.69
8	Maybank Nominees (Tempatan) Sdn. Bhd. MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI)(419455)	12,659,660	0.68
9	Majlis Ugama Islam Sabah	11,717,299	0.63
10	Majlis Ugama Islam Sabah	10,421,700	0.56
11	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund	9,559,800	0.52
12	Cartaban Nominees (Tempatan) Sdn. Bhd. PBTB For Takafulink Dana Ekuiti	8,434,530	0.46
13	Amin Baitulmal Johor	8,316,000	0.45
14	Amanahraya Trustees Berhad Amanah Saham Malaysia	8,138,800	0.44
15	HSBC Nominees (Asing) Sdn. Bhd. SBL of Morgan Stanley & Co. International PLC	8,086,000	0.44
16	Amanahraya Trustees Berhad Public Islamic Dividend Fund	7,394,900	0.40

SHARE & WARRANT HOLDINGS STATISTICS

AS AT 31 MARCH 2021

LIST OF TOP 30 SHAREHOLDERS (CONTINUED)

No.	Name	Holdings	%
17	CIMB Islamic Nominees (Tempatan) Sdn. Bhd. Affin Hwang Asset Management Berhad for Majlis Ugama Islam dan Adat Resam Melayu Pahang	6,249,300	0.34
18	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (CIMB PRIN)	5,997,300	0.32
19	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	5,758,600	0.31
20	Amanahraya Trustees Berhad AC Principal Dali Asia Pacific Equity Growth Fund	5,562,400	0.30
21	Majlis Agama Islam Negeri Pulau Pinang	5,544,000	0.30
22	Majlis Amanah Rakyat	5,544,000	0.30
23	Citigroup Nominees (Tempatan) Sdn. Bhd. Exempt an for AIA Bhd.	5,089,700	0.27
24	Cartaban Nominees (Tempatan) Sdn. Bhd. PAMB for Prulink Dana Unggul	4,826,527	0.26
25	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (AMUNDI)	4,773,700	0.26
26	Majlis Agama Islam dan Adat Istiadat Melayu Kelantan	4,532,799	0.24
27	Citigroup Nominees (Tempatan) Sdn. Bhd. Universal Trustee (Malaysia) Berhad for Principal Dali Equity Fund	4,323,620	0.23
28	Majlis Agama Islam Selangor	4,073,488	0.22
29	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	3,517,699	0.19
30	Citigroup Nominees (Tempatan) Sdn. Bhd. Urusharta Jamaah Sdn. Bhd. (Aberdeen 2)	3,341,300	0.18
TOTAL		1,679,941,557	90.62

SHARE & WARRANT HOLDINGS STATISTICS

AS AT 31 MARCH 2021

ANALYSIS OF WARRANTHOLDINGS as at 31 March 2021

Size of Shareholdings	No. of Holders		No. of Holdings		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	52	1	2,936	80	0.00	0.00
100 - 1,000	584	5	295,673	1,889	0.07	0.00
1,001 - 10,000	1,156	7	5,555,077	35,900	1.30	0.01
10,001 - 100,000	737	11	26,614,123	722,480	6.24	0.17
100,001 to 21,335,752 (*)	250	10	218,001,200	8,895,920	51.09	2.08
21,335,753 and above (**)	3	0	166,589,800	0	39.04	0.00
Total	2,782	34	417,058,809	9,656,269	97.74	2.26

	No. of Holders		No. of Holdings		%	
Grand Total	2,816		426,715,078		100.00	

Note:

* Less than 5% of issued holdings

** 5% and above of issued holdings

DIRECTORS' WARRANTHOLDINGS

No.	Name of Directors	No. of Shares	
		Direct Interest	%
1	Tan Sri Haji Ambrin bin Buang	–	–
2	Mohd Tarmidzi bin Ahmad Nordin	–	–
3	Noraini binti Che Dan	–	–
4	Nik Mohd Hasyudeen bin Yusoff	–	–
5	Zahari @ Mohd Zin Idris	–	–

SUBSTANTIAL WARRANTHOLDERS

No.	Name of Substantial Warrantholders	No. of Shares	%
1	Lembaga Tabung Haji	117,502,000	27.54
2	Seik Yee Kok Registered under JF Apex Nominees (Tempatan) Sdn. Bhd.	27,131,000	6.36
3	Koh Boon Poh Registered under Kenanga Nominees (Tempatan) Sdn. Bhd.	21,956,800	5.15

SHARE & WARRANT HOLDINGS STATISTICS

AS AT 31 MARCH 2021

LIST OF TOP 30 WARRANT HOLDERS

No.	Name	Holdings	%
1	Lembaga Tabung Haji	117,502,000	27.54
2	JF Apex Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Seik Yee Kok	27,131,000	6.36
3	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Koh Boon Poh (008)	21,956,800	5.15
4	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Kwong Ming Wei (08KW032ZQ-008)	15,103,900	3.54
5	Lim Gaik Bway @ Lim Chiew Ah	10,831,700	2.54
6	Lim Bun Hwa	8,835,800	2.07
7	Wong Chuan Chin	7,355,500	1.72
8	Lim Kuan Gin	6,500,000	1.52
9	Gan Kok An	6,067,300	1.42
10	Kenanga Nominees (Tempatan) Sdn. Bhd. Rakuten Trade Sdn. Bhd. for Goh Hock Hun	6,037,600	1.41
11	Lim Boon Cheng	5,362,000	1.26
12	Koay Keng Huat	5,000,000	1.17
13	Maybank Securities Nominees (Asing) Sdn. Bhd. Maybank Kim Eng Securities Pte Ltd for Lim Chuan Seng	4,600,000	1.08
14	Michael Heng Chun Hong	4,247,900	1.00
15	Teo Hui Hoon	4,150,000	0.97
16	Yap Kon Lian	3,921,300	0.92
17	Maybank Securities Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mary Tan @ Tan Hui Ngoh (STF)	3,800,000	0.89
18	Kenanga Nominees (Tempatan) Sdn. Bhd. Gan Boon Guat (EM1-P88)	3,426,200	0.80
19	Ooi Lee Peng	3,343,000	0.78
20	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yeo Bee Kim	3,305,000	0.77

SHARE & WARRANT HOLDINGS STATISTICS

AS AT 31 MARCH 2021

LIST OF TOP 30 WARRANT HOLDERS (CONTINUED)

No.	Name	Holdings	%
21	Maybank Nominees (Tempatan) Sdn. Bhd. MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-Dali)(419455)	3,056,860	0.72
22	Tan Kia Sin	2,800,000	0.66
23	Ting Ming Ong	2,780,000	0.65
24	Malacca Equity Nominees (Tempatan) Sdn Bhd Exempt an for Phillip Capital Management Sdn. Bhd.	2,757,700	0.65
25	Chong Ah Suan	2,700,000	0.63
26	RHB Capital Nominees (Tempatan) Sdn. Bhd. Pledged Securites Account for Su Ming Yaw	2,400,000	0.56
27	Lim Siang Chin	2,206,000	0.52
28	Kenanga Nominees (Tempatan) Sdn. Bhd. Kwong Ming Kwei	2,035,200	0.48
29	Ng Seng Nam	2,000,000	0.47
30	Tan Pow Choo @ Wong Seng Eng	2,000,000	0.47
TOTAL		293,212,760	68.72

PROPERTIES OWNED BY BHB GROUP

PROPERTY LISTING FOR BANK ISLAM MALAYSIA BERHAD

NO.	LOCATION	DESCRIPTION OF EXISTING USE	TENURE	AGE OF BUILDING (YEARS)	LAND, BUILT-UP AREA (SQUARE FEET)	NET BOOK VALUE AS AT 31.12.2020 (RM)	DATE OF ACQUISITION
1	HS (D) 80625 PT 45 Lot No. 37, Seksyen 87 Jalan Tun Razak 50750 Kuala Lumpur	Building site	Leasehold for 99 years, expiring on 29.12.2093	NA	6,597	11,840,690.19	30.12.1994
2	No. PT 1708 & 1709 HS (M) 2660 & 2661 Lot No. 1 & 2, Batu 5½ Jalan Cheras 56100 Kuala Lumpur	Vacant land	Leasehold for 99 years, expiring on 02.04.2085	NA	4,443	58,189.14	03.04.1986
3	Lot No. PT 805-HSD 1323 Mukim Bagan Nakhoda Omar Sabak Bernam, Selangor	Vacant land	Leasehold for 99 years, expiring on 03.02.2101	NA	405,000	540,463.59	25.03.1999

PROPERTIES OWNED BY BHB GROUP

PROPERTY LISTING FOR SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NO.	LOCATION	DESCRIPTION OF EXISTING USE	TENURE	AGE OF BUILDING (YEARS)	LAND, BUILT-UP AREA (SQARE FEET)	NET BOOK VALUE AS AT 31.12.2020 (RM)	DATE OF ACQUISITION
1	No. 325A & 325B, Blok 41 Kompleks Perniagaan Fajar 91000 Tawau Sabah	Three units of 4 storey Commercial Complex/Office	999 years town lease, expiring on 31.12.2895	29	4,025/6,037	2,209,743	12.07.1991
2	No. 64 & 65 Kompleks Jitra Jalan Sungai Korok 06000 Jitra Kedah Darul Aman	Two units of 2 storey Shophouse/Office	Freehold	34	3,095/6,935	644,040	30.09.1991
3	Lot 54 & 55 Bandar Wilayah Jasa Jalan Bunga Raya 91100 Lahad Datu Sabah	Two units of 3 storey Shophouse/Office	99 years town lease, expiring on 31.12.2090	25	2,400/7,200	1,117,451	27.12.1995
4	No. 15 & 17 Jalan Kelibang Langkawi Mall 07000 Kuah, Langkawi Kedah Darul Aman	Two units of 2 storey Shophouse/Office	Freehold	27	1,440/7,720	488,380	17.07.1993
5	No. 433 & 434 Jalan Kulas 93400 Kuching Sarawak	Two units of 4 storey Shophouse/Office	Freehold	25	3,589/12,855	3,486,360	02.01.1996
6	Lot 13 & 14 Lazenda Commercial Centre Jalan Okk Abdullah 87007 Wilayah Persekutuan Labuan	Two units of 3 storey Office building	999 years lease, expiring on 30.06.2902	26	2,504/7,200	1,454,635	14.01.1997
7	No. 1 & 2 Jalan Kelicap Taman Pekan Baru 34200 Parit Buntar Perak Darul Ridzuan	Two units of 2 storey Shophouse/Office	99 years lease, expiring on 05.09.2078	33	3,956/7,044	596,552	18.09.1999
8	No. 46 & 47 Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim	Two units of 4 storey Shophouse/Office	Freehold	31	3,220/12,092	1,294,240	18.09.1999

PROPERTIES OWNED BY BHB GROUP

PROPERTY LISTING FOR SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (CONTINUED)

NO.	LOCATION	DESCRIPTION OF EXISTING USE	TENURE	AGE OF BUILDING (YEARS)	LAND, BUILT-UP AREA (SQUARE FEET)	NET BOOK VALUE AS AT 31.12.2020 (RM)	DATE OF ACQUISITION
9	No. 180 & 181 Jalan Tuan Hitam 22000 Jerteh Terengganu Darul Iman	Two units of 4 Storey Shophouse/Office	Freehold	30	3,200/ 12,250	1,365,000	18.09.1999
10	Lot 82, 84 & 86 Jalan Rugby 13/30 Seksyen 13 40100 Shah Alam Selangor Darul Ehsan	Three units of 2 storey Shophouse/Office	99 years lease, expiring on 22.01.2102	21	6,339/ 11,309	2,047,253	07.05.1997
11	No. 229, Jalan Shahab 2 Shahab Perdana Jalan Sultanah Sambungan 05350 Alor Setar Kedah Darul Aman	One unit of 2½ storey Shophouse/Office	Freehold	24	1,400/ 3,570	357,333	15.07.1999
12	Lot No. 3803 Jalan Dato' Ulu Muar 72000 Kuala Pilah Negeri Sembilan Darul Khusus	One unit of 3 storey Shophouse/Office	99 years lease, expiring on 06.10.2079	21	2,001/ 3,120	341,818	01.07.1997
13	No. 45 Jalan Teluk Sisek 25000 Kuantan Pahang Darul Makmur	One unit of 4 storey Shophouse/Office	99 years lease, expiring on 18.09.2068	20	3,200/ 8,019	1,653,179	15.09.2000
14	No. 27 Pusat Komersil Temerloh 28000 Temerloh Pahang Darul Makmur	One unit of 2½ storey Shophouse/Office	99 years lease, expiring on 01.04.2095	20	1,398/ 5,017	467,092	02.10.2000
15	No. 2 & 4 Jalan 6C/7 43650 Bandar Baru Bangi Selangor Darul Ehsan	Two units of 2 storey Shophouse/Office	99 years lease, expiring on 08.07.2086	33	6,383/ 8,032	1,301,325	08.09.1999
16	Lot 14 Seremban City Centre Jalan Tuanku Munawir 70000 Seremban Negeri Sembilan Darul Khusus	One unit of 6 storey Shophouse/Office	Freehold	24	1,500/ 14,589	2,718,383	19.05.2000
17	No. 29, Jalan Delima Pusat Perdagangan Pontian 82000 Pontian Johor Darul Takzim	One unit of 3 storey Shophouse/Office	99 years lease, expiring on 25.09.2097	19	3,899/ 10,248	1,194,231	23.03.2002

PROPERTIES OWNED BY BHB GROUP

PROPERTY LISTING FOR SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (CONTINUED)

NO.	LOCATION	DESCRIPTION OF EXISTING USE	TENURE	AGE OF BUILDING (YEARS)	LAND, BUILT-UP AREA (SQURE FEET)	NET BOOK VALUE AS AT 31.12.2020 (RM)	DATE OF ACQUISITION
18	No. 616 & 617 Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus	Two units of 2 storey Office building	99 years lease, expiring on 05.10.2088	28	4,498/ 8,685	827,814	17.09.1999
19	No. 6 Jalan 6C/7 43650 Bandar Baru Bangi Selangor Darul Ehsan	One unit of 2 storey Shophouse/Office	99 years lease, expiring on 08.07.2086	33	1,905/ 3,508	563,907	09.08.2002
20	Suite 3B/G Blok 3B, Plaza Sentral Jalan Stesen Sentral 5 50470 Kuala Lumpur	One floor of 22 storey Office building	Freehold	19	6,409*	5,640,000	26.06.2001
21	No. 26 & 27 Jalan Tanjung Pasar Baru 18500 Machang Kelantan Darul Naim	Two units of 2 storey Office building	66 years lease, expiring on 18.02.2069	39	1,600/ 4,000	463,587	17.09.1999
22	No. 330 & 331 Jalan Sultan Yahya Petra 15720 Kota Bharu Kelantan Darul Naim	Two units of 4½ storey Office building	99 years lease, expiring on 09.12.2069	38	3,200/ 15,200	1,411,457	03.07.2002
23	Menara Takaful Malaysia No. 4, Jalan Sultan Sulaiman 50000 Kuala Lumpur	Two units of Office building Main Block – 26 storey Annexe Block – 29 storey	Freehold	Main Block – 47 Annexe Block – 40	90,427/ 393,508	143,536,365	08.10.2004
24	No. 2408 Taman Samudera 32040 Sri Manjung Perak Darul Ridzuan	One unit of 2 storey Shophouse/Office	99 years lease, expiring on 19.05.2091	24	2,800/ 5,300	682,905	10.08.2004
25	No. 76A & 76 Pusat Perniagaan Jalan Tupai 34000 Taiping Perak Darul Ridzuan	Two units of 3 storey Office building	Freehold	17	3,134/ 18,304	1,403,511	18.08.2003

* Built-up area

PROPERTIES OWNED BY BHB GROUP

PROPERTY LISTING FOR SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD (CONTINUED)

NO.	LOCATION	DESCRIPTION OF EXISTING USE	TENURE	AGE OF BUILDING (YEARS)	LAND, BUILT-UP AREA (SQURE FEET)	NET BOOK VALUE AS AT 31.12.2020 (RM)	DATE OF ACQUISITION
26	No. 10 & 11 Jalan Sultan Yahya Petra 15200 Kota Bharu Kelantan Darul Naim	Two units of 3 storey Office building	Freehold	18	3,852/ 9,120	1,666,801	03.07.2002
27	No. 4197 Jalan Teluk Wanjah 05200 Alor Setar Kedah Darul Aman	One unit of 4 storey Office building	Freehold	18	8,716/ 18,440	3,211,200	27.07.2002
28	No. 8 & 10 Jalan Padi Emas 5/2 Bandar Baru UDA 81200 Johor Bahru Johor Darul Takzim	Two units of 3 storey Office building	99 years lease, expiring on 16.02.2099	15	3,080/ 8,024	1,205,601	30.11.2004
29	No. 4 Kompleks Seri Temin Jalan Ibrahim 08000 Sungai Petani Kedah Darul Aman	One unit of 4 storey Office building	99 years lease, expiring on 03.10.2080	35	1,400/ 5,510	569,659	11.09.2005
30	Lot 1340 Miri Waterfront Commercial Centre 98000 Miri Sarawak	One unit of 4 storey Office building	60 years lease, expiring on 30.09.2066	16	1,400/ 5,500	902,395	20.01.2006
31	No. 6 Jalan Padi Emas 5/2 Bandar Baru UDA 81200 Johor Bahru Johor Darul Takzim	One unit of 3 storey Office building	99 years lease, expiring on 16.02.2099	15	1,540/ 4,012	602,800	14.02.2006
32	No. 148 Kompleks Munshi Abdullah 75200 Melaka	One unit of 4½ storey Office building	99 years lease, expiring on 23.04.2102	27	1,470/ 6,117	667,808	21.03.2006
33	No. 16474 & 16475 Pusat Perniagaan Inderapura Jalan Tras Raub Pahang Darul Makmur	Two units of 3 storey Office building	99 years lease, expiring on 29.06.2092	21	3,218/ 9,280	1,139,671	27.10.2006
34	No. 435 Jalan Kulas 93400 Kuching Sarawak	One unit of 4 storey Shophouse/Office	Freehold	25	1,214/ 4,262	1,204,920	02.01.1996

PROPERTIES OWNED BY BHB GROUP

PROPERTY LISTING FOR SYARIKAT TAKAFUL MALAYSIA AM BERHAD

NO.	LOCATION	DESCRIPTION OF EXISTING USE	TENURE	AGE OF BUILDING (YEARS)	LAND, BUILT-UP AREA (SQUARE FEET)	NET BOOK VALUE AS AT 31.12.2020 (RM)	DATE OF ACQUISITION
1	No. 23 Medan Istana 3 Bandar Ipoh Raya 30450 Ipoh Perak Darul Ridzuan	One unit of 3 storey Shophouse/Office	99 years lease, expiring on 30.03.2081	25	1,539/ 4,255	411,591	20.09.1995
2	No. 26 & 28 Jalan Perda Barat Bukit Mertajam Seberang Prai 14000 Penang	Two units of 3 storey Shophouse/Office	Freehold	22	3,293/ 8,840	893,333	04.10.1996
3	Lot 1129 & 1130 Bangunan Darul Takaful Jalan Sultan Ismail 20100 Kuala Terengganu Terengganu Darul Iman	One unit of 12 storey Office building	35 years sub-lease, expiring on 27.02.2037	18	3,600/ 23,637	4,911,301	29.12.1997
4	No. 20, Fasa 1A Jalan Haji Manan 86000 Kluang Johor Darul Takzim	One unit of 4 storey Shophouse/Office	99 years lease, expiring on 10.12.2108	24	2,658/ 9,930	1,603,984	27.03.1992

PROPERTIES OWNED BY BHB GROUP

PROPERTY LISTING FOR SYARIKAT AL-IJARAH SENDIRIAN BERHAD

NO.	LOCATION	DESCRIPTION OF EXISTING USE	TENURE	AGE OF BUILDING (YEARS)	LAND, BUILT-UP AREA (SQUARE FEET)	NET BOOK VALUE AS AT 31.12.2020 (RM)	DATE OF ACQUISITION
1	No. PT Lot 002600 & 002601 No. HS (D) 815 & 816 No. 71 & 73 Jalan Taman Selat Off Jalan Bagan Luar 12720 Butterworth Pulau Pinang	4 storey Shophouse/Office for Bank Islam Operation	Freehold	35	Lot 002600 – 171 Lot 002601 – 273 (square meter)	647,231.67	30.09.1985

REGIONAL GROUP NETWORK

BIMB HOLDINGS BERHAD

31st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : +603-2781 2999
Fax : +603-2781 2998
Website : www.bimbholdings.com

BANK ISLAM MALAYSIA BERHAD

Level 32, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : +603-2088 8000
Website : www.bankislam.com

BIMB INVESTMENT MANAGEMENT BERHAD

Level 19, Menara Bank Islam
No. 22, Jalan Perak
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Tel : +603-2161 2524/2924
Toll free : 1 800 88 1196
Fax : +603-2161 2464
Email : marketing.bimbinvest@bankislam.com.my
Website : bimbinvestment.com.my

BANK ISLAM TRUST COMPANY (LABUAN) LTD

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Fax : +6087-451 808
Email : email@bankislamtrust.com.my
Website : www.bankislamtrust.com.my

FARIHAN CORPORATION SDN. BHD.

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Fax : +603-2782 1355

AL-WAKALAH NOMINEES (TEMPATAN) SDN. BHD.

21st Floor, Menara Bank Islam
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Tel : +603-2726 7724
Fax : +603-2726 7733

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

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Menara Takaful Malaysia
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50000 Kuala Lumpur
P.O. Box 11483
50746 Kuala Lumpur
Tel : 1-300 88 252 385
Fax : +603-2274 0237
Email : csu@takaful-malaysia.com.my
Website : takaful-malaysia.com.my

PT SYARIKAT TAKAFUL INDONESIA

Graha Takaful Indonesia
Jalan Mampang Prapatan Raya
No. 100, Jakarta
12790 Indonesia
Tel : +6221-799 1234
Fax : +6221-790 1435

PT ASURANSI TAKAFUL KELUARGA

Graha Takaful Indonesia
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Fax : +6221-790 1435
Website : www.takaful.co.id

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14th Floor, Annexe Block
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50000 Kuala Lumpur
Tel : 1-300 88 252 385
Fax : +603-2274 2864
Email : csu@takaful-malaysia.com.my
Website : takaful-malaysia.com.my

BIMB SECURITIES (HOLDINGS) SDN. BHD.

31st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : +603-2781 2999
Fax : +603-2781 2998

BIMB SECURITIES SDN. BHD.

Level 32, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : +603-2613 1600
Fax : +603-2613 1799
Website : www.bimbsec.com.my
Online trading : www.bisonline.com.my

BIMSEC NOMINEES (TEMPATAN) SDN. BHD.

Level 32, Menara Multi-Purpose
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SYARIKAT AL-IJARAH SDN. BHD.

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No. 22, Jalan Perak
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Fax : +603-2781 2998

FTSE4GOOD BURSA MALAYSIA

("F4GBM")

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PILLARS AND THEMES	CODE	INDICATORS	REFERENCE SECTION
ECONOMIC (6)			
Climate Change	ECC-2	Recognition of climate change	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	ECC-15	Three years of total energy consumption data	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	ECC-31	Policy or commitment statement on energy use	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	ECC-36	Targets to reduce energy consumption	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	ECC-37	Results measured against previously disclosed targets to reduce energy consumption	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
SOCIAL (41)			
Labour Standards	SLS-11	Policy supporting the community	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	SLS-12	Policy is communicated globally to employees and translated into relevant languages	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	SLS-24	Full time staff turnover rates	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	SLS-26	Employee development training to enhance knowledge or individual skills	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	SLS-28	Full-time staff voluntary turnover rates relative to sector and country	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	SLS-29	Employee personal development training	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
Human Rights	SHR-3	Statement of principles or process by which community investments are made	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	SHR-15	Output of community investments	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	SHR-16	Mechanisms to facilitate employee engagement and involvement with charitable partners	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	SCR-4	Involvement in industry initiatives	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future

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PILLARS AND THEMES	CODE	INDICATORS	REFERENCE SECTION
SOCIAL (41)			
Supply Chain	SSC-34	ESG integration into its investment process	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-35	ESG considerations into investment decision making	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-36	Collaborative initiatives on Asset Management ESG issues	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-37	Integration of ESG into portfolio investment decision making	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-40	Long term investment philosophy	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-42	ESG integration into its insurance activities	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-43	Incorporation of ESG considerations	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-44	Involvement in collaborative initiatives on insurance ESG issues	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-45	Insurance products mitigate insuree environmental risk	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-46	Company encourages clients to consider ESG issues	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-48	Collaborative initiatives that enhance issuer ESG disclosure	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-49	Provide or support ESG products	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
	SSC-52	Company has ESG lending policies	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis
SSC-54	Collaborative initiatives on corporate or project finance ESG issues	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Management Discussion & Analysis	

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PILLARS AND THEMES	CODE	INDICATORS	REFERENCE SECTION
GOVERNANCE (48)			
Anti-Corruption	GAC-1	Bribery - Policy or commitment statement	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	GAC-2	Anti-corruption - Policy or commitment statement	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	GAC-3	Board has oversight of anti-corruption policy	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GAC-4	Due diligence of new business partners addresses corruption	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GAC-5	Confidential or anonymous whistle-blowing mechanism for staff	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	GAC-7	Communication of anti-corruption policy to all employees	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	GAC-8	Training for staff on the anti-corruption policy	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	GAC-9	Corruption risk assessment for company operations	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GAC-10	Procedures are in place to address corruption in operations that are assessed to be 'high risk'	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	Corporate Governance	GCG-1	Separate Non-Executive Chairman and CEO
GCG-2		Details about Directors	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-3		Number of Board Directors	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-4		Number of Independent Directors on the board	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-5		Number of women on the board	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-6		Commitment to gender diversity on the board	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-7		Board addresses conflicts of interest	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-8		Periodic evaluation of board effectiveness	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-9		Board Committee(s) and their Charters, terms of reference or equivalent	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-10		Number of times the board/each committee have/has met per annum	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
GCG-11		Attendance rate	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice

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PILLARS AND THEMES	CODE	INDICATORS	REFERENCE SECTION
GOVERNANCE (48)			
Corporate Governance	GCG-12	Board Committee for remuneration	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GCG-13	Charter that discloses the process to determine remuneration	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GCG-14	Fixed and variable remuneration	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GCG-16	Board Audit Committee	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GCG-17	Fees paid to the auditor	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GCG-18	Accounts in relevant languages	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GCG-19	Annual General Meeting: Number of days between the date of notice and date of meeting	BHB Corporate Website - www.bimbholdings.com/investor-relations
	GCG-21	Shareholders have the right to vote on executive remuneration	BHB Corporate Website - www.bimbholdings.com/investor-relations
	GCG-22	Shareholders have the right to vote on Director appointments and dismissals	BHB Corporate Website - www.bimbholdings.com/investor-relations
	GCG-24	Share issues in last three years	BHB Corporate Website - www.bimbholdings.com/investor-relations
	GCG-26	Voting results	BHB Corporate Website - www.bimbholdings.com/investor-relations
	GCG-27	Remuneration for executive members	BHB Integrated Annual Report 2020 - Financial Statements
	GCG-28	Variable remuneration is deferred for three years or more	BHB Integrated Annual Report 2020 - Financial Statements

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PILLARS AND THEMES	CODE	INDICATORS	REFERENCE SECTION
GOVERNANCE (48)			
Risk Management	GRM-1	Board has oversight of risk management process	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GRM-2	Senior executive or committee responsible for risk	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GRM-5	Board applies oversight over Code of Conduct	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GRM-7	Code of Conduct or equivalent describes the company's risk management framework	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GRM-10	Company commits to regular rotation of auditors	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GRM-21	Legal and compliance leads are on the board	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GRM-22	Board oversees risk management	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GRM-23	Non-executive board members with experience or knowledge in risk management	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	GRM-26	BIS Tier 1 Capital Ratio	BHB Integrated Annual Report 2020 - Financial Statements
	GRM-27	BIS Core Tier 1 Capital Ratio	BHB Integrated Annual Report 2020 - Financial Statements

GLOBAL REPORTING INITIATIVE

("GRI") G4

GRI GENERAL STANDARD

ASPECT	GRI CODE	INDICATORS	REFERENCE SECTION
STRATEGY AND ANALYSIS	G4-1	Statement from the most senior decision-maker of the organisation addressing sustainability	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Sustainability Commitment
	G4-3	Name of the organisation	BHB Integrated Annual Report 2020 - In Retrospect - Our Footprint
ORGANISATIONAL PROFILE	G4-4	Primary brands, products, and services	BHB Integrated Annual Report 2020 - In Retrospect - Our Story
	G4-5	Location of the organisation's headquarters	BHB Integrated Annual Report 2020 - In Retrospect - Group Corporate Information
	G4-6	Countries where the organisation operates	BHB Integrated Annual Report 2020 - In Retrospect - Our Footprint
	G4-7	Nature of ownership and legal form	BHB Integrated Annual Report 2020 - In Retrospect - Our Structure
	G4-8	Markets served	BHB Integrated Annual Report 2020 - In Retrospect - Our Story
	G4-9	Scale of the organisation	BHB Integrated Annual Report 2020 - In Retrospect - Paving The Way For A Sustainable Future - Management Discussion & Analysis - Financial Statements - Additional Information
	G4-10	Employment	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Delivering Value
	G4-11	Collective bargaining	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Delivering Value
	G4-12	Supply chain	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model
	G4-13	Organisational changes	BHB Integrated Annual Report 2020 - The Will To Succeed - Chairman's Reflections
	G4-14	Precautionary approach	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	G4-15	Externally developed economic, environmental and social charters	BHB Integrated Annual Report 2020 - In Retrospect - Paving The Way For A Sustainable Future - Management Discussion & Analysis - Adhering To The Best Governance Practices
	G4-16	Memberships of associations	BHB Integrated Annual Report 2020 - In Retrospect - Paving The Way For A Sustainable Future - Management Discussion & Analysis - Adhering To The Best Governance Practices

GLOBAL REPORTING INITIATIVE

("GRI") G4

GRI GENERAL STANDARD

ASPECT	GRI CODE	INDICATORS	REFERENCE SECTION
IDENTIFIES MATERIAL ASPECTS AND BOUNDARIES	G4-17	Entities	BHB Integrated Annual Report 2020 - In Retrospect - Our Story
	G4-18	Process for defining the report	BHB Integrated Annual Report 2019 - About Our Report
	G4-19	Material aspects identified	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Mindful about Material Matters
	G4-20	Material aspect within the organisation	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Mindful about Material Matters
	G4-21	Material aspect outside the organisation	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Mindful about Material Matters
STAKEHOLDER ENGAGEMENT	G4-24	Stakeholder groups	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Building Relationships
	G4-25	Identification and selection of stakeholders	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Building Relationships
	G4-26	Approach to stakeholder engagement	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Building Relationships
	G4-27	Key topics and concerns raised	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Building Relationships
REPORT PROFILE	G4-28	Reporting period	BHB Integrated Annual Report 2020 - About Our Report
	G4-30	Reporting cycle	BHB Integrated Annual Report 2020 - About Our Report
	G4-31	Contact point	BHB Integrated Annual Report 2020 - About Our Report
	G4-32	Chosen content	BHB Integrated Annual Report 2020 - About Our Report
	G4-33	External assurance for the report	BHB Integrated Annual Report 2020 - About Our Report
GOVERNANCE, COMMITMENTS AND ENGAGEMENTS	G4-34	Governance structure	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practices - Paving The Way For A Sustainable Future - Sustainability Commitment - In Retrospect - Group Corporate Information
ETHICS AND INTEGRITY	G4-56	Organisation's values, principles, standards and norms of behavior	BHB Integrated Annual Report 2020 - In Retrospect - Adhering To The Best Governance Practices - Paving The Way For A Sustainable Future - A Distinct Business Model

GLOBAL REPORTING INITIATIVE

("GRI") G4

GRI SPECIFIC STANDARD

MATERIAL ASPECTS	GRI CODE	INDICATORS	REFERENCE SECTION
ECONOMIC			
ECONOMIC PERFORMANCE	G4-EC1	Direct economic value generated and distributed	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model - Paving The Way For A Sustainable Future - Delivering Value
	G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model
INDIRECT ECONOMIC IMPACTS	G4-EC7	Development and impact of infrastructure investments and services supported	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model - Paving The Way For A Sustainable Future - Delivering Value - Management Discussion & Analysis
	G4-EC8	Significant indirect economic impacts, including the extent of impacts	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model - Paving The Way For A Sustainable Future - Delivering Value - Management Discussion & Analysis
ENVIRONMENT			
ENERGY	G4-EN3	Energy consumption within the organisation	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Delivering Value
	G4-EN6	Reduction of energy consumption	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - Delivering Value
PRODUCTS AND SERVICES	G4-EN27	Extent of impact mitigation of environmental impacts of products and services	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model - Paving The Way For A Sustainable Future - Delivering Value - Management Discussion & Analysis

GLOBAL REPORTING INITIATIVE

("GRI") G4

GRI SPECIFIC STANDARD

MATERIAL ASPECTS	GRI CODE	INDICATORS	REFERENCE SECTION
SOCIAL			
LABOR PRACTICES AND DECENT WORK			
LABOUR/MANAGEMENT RELATIONS	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model - Paving The Way For A Sustainable Future - Delivering Value - Management Discussion & Analysis
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model - Paving The Way For A Sustainable Future - Delivering Value - Management Discussion & Analysis
TRAINING & EDUCATION	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future - A Distinct Business Model - Paving The Way For A Sustainable Future - Delivering Value
	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
DIVERSITY & EQUAL OPPORTUNITY			
HUMAN RIGHTS			
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
SOCIETY			
LOCAL COMMUNITIES	FS-13	Access points in low-populated or economically disadvantaged areas by type	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	FS-14	Initiatives to improve access to financial services for disadvantaged people	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
ANTI-CORRUPTION	G4-SO4	Communication and training on anti-corruption policies and procedures	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
COMPLIANCE	G4-FS6	Percentage of the portfolio for business lines by specific region, size (eg: Micro/SME/Large) and by sector	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
PRODUCT PORTFOLIO	G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future
	G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	BHB Integrated Annual Report 2020 - Paving The Way For A Sustainable Future

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 24th Annual General Meeting (“**AGM**”) of BIMB Holdings Berhad (“**BHB**” or “the Company”) will be held fully virtual at the broadcast venue at Level 31, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 2 June 2021 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

- 1 To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. (Please refer to Note 1)
2. To re-elect Datuk Nik Mohd Hasyudeen Yusoff who is retiring by rotation in accordance with Clause 133 of the Company’s Constitution and being eligible, has offered himself for re-election. (Ordinary Resolution 1)
3. To re-elect Encik Zahari @ Mohd Zin Idris who is retiring by rotation in accordance with Clause 133 of the Company’s Constitution and being eligible, has offered himself for re-election. (Ordinary Resolution 2)
4. To approve the Directors’ fees and benefits of up to RM2,502,000.00 payable to the Directors from this 24th Annual General Meeting until the 25th Annual General Meeting of the Company. (Ordinary Resolution 3)
5. To re-appoint Messrs. PricewaterhouseCoopers PLT as the External Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration. (Ordinary Resolution 4)

SPECIAL BUSINESS

6. Proposed Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.

“That subject to the Companies Act 2016, Company’s Constitution and the Listing Requirements of Bursa Malaysia Securities Berhad approval be and is hereby given to BIMB Holdings Berhad and its subsidiaries to enter into the category of recurrent related party transactions of a revenue or trading nature with those related parties as specified in Section 2.1.3 of the Circular to Shareholders dated 30 April 2021 which are necessary for the Group’s day-to-day operations subject to the following:

- a) The transactions carried out are in the ordinary course of business and are on normal commercial terms that do not favour the related parties more than the general public;
- b) Are not detrimental to the minority shareholders of the Company; and
- c) Will be disclosed in the annual report with the breakdown of the aggregate value of transaction conducted during the financial year pursuant to the shareholders’ mandate during the financial year (Mandate).

And that the Mandate conferred by this resolution shall commence immediately upon the passing of this Resolution;

And that such Mandate shall continue to be in force until:

- i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of Companies Act 2016); or
- iii) it is revoked or varied by a resolution passed by the shareholders in a general meeting.

whichever is the earlier.”

(Ordinary Resolution 5)

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

7. Proposed renewal of the authority for Directors to allot and issue new ordinary shares of BHB, for the purpose of the Company's Dividend Reinvestment Plan ("DRP") that provides the shareholders of BHB the option to elect to reinvest their cash dividend in new BHB Shares.

"**THAT** pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 27 October 2014 and renewed at the Annual General Meeting held on 26 August 2020 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new BHB Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors of the Company at their sole and absolute discretion, deem fit and in the interest of the Company **PROVIDED THAT** the issue price of the said new BHB Shares shall be fixed by the Directors based on the adjusted five (5) market days volume weighted average market price ("**VWAP**") of BHB Shares immediately prior to the price-fixing date after applying a discount of not more than 10%, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company."

(Ordinary Resolution 6)

8. To transact any other ordinary business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

MARIA MAT SAID

Company Secretary (LS 0009400)
Practicing Certificate No. 202008002449
Kuala Lumpur
3 May 2021

EXPLANATORY NOTES:

1. AUDITED FINANCIAL STATEMENTS

The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016 are meant for the shareholders' information and discussion only. It does not require shareholders' approval, and therefore Audited Financial Statements are not put forward for voting.

2. RE-ELECTION OF DIRECTORS

- (i) Ordinary Resolutions 1 and 2

Clause 133 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being, or, if their number is not three (3) or a multiple of three (3), then the nearest one-third (1/3) shall retire from office, provided that all Directors shall retire from office at least once in three (3) years, but shall be eligible for re-election.

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

Based on the number of Directors who are subject to retirement by rotation, two (2) out of five (5) Directors shall retire at this 24th AGM. Datuk Nik Mohd Hasyudeen Yusoff and Encik Zahari @ Mohd Zin Idris retire by rotation at this 24th AGM and being eligible, have offered themselves for re-election as Directors of the Company.

Based on the Board and Peers Evaluation 2020, the Board is of the collective view that the said Directors who are retiring at this 24th AGM have satisfactorily discharged their roles and responsibilities to act in the best interest of the Company. The Board is satisfied that, considering the wealth of expertise and experience which the retiring Directors possess, they will continue to bring sound judgement and contribute to the Board deliberations through active participation in discussion and decision-making. The Board has hereby recommended that Datuk Nik Mohd Hasyudeen Yusoff and Encik Zahari @ Mohd Zin Idris be re-elected as Directors of the Company.

Section 64(2)(a) of the Islamic Financial Services Act 2013 provides that the appointment, re-appointment, election or re-election as Chairman, Director or Chief Executive Officer of the Company is subject to approval by Bank Negara Malaysia ("BNM"). In this respect, BNM's approval for the tenures of the Directors seeking for re-election is still effective under Ordinary Resolutions 1 and 2.

The profiles of Directors seeking for re-election are set out on pages 36 to 40 under Profile of Directors' section of the Company's Integrated Annual Report 2020.

3. DIRECTORS' FEES AND BENEFITS

Ordinary Resolution 3

Pursuant to Section 230(1) Companies Act 2016, Shareholders' approval is also required for Directors' remuneration and benefits received from subsidiaries.

At the 23rd Annual General Meeting held on 26 August 2020, BHB obtained Shareholders' approval on the payment of Directors' fees and benefits for the Company and its subsidiaries with effect from the 23rd Annual General Meeting until the 24th Annual General Meeting of the Company in 2021. Details of Directors' fees and benefits are enumerated on page 132 and page 133 of the Integrated Annual Report 2020.

The proposed Resolution 3 is for the payment of the Directors' fees and benefits for Directors of the Company and its subsidiaries from the 24th Annual General Meeting until the 25th Annual General Meeting of the Company in accordance with the remuneration framework as set out on page 132 of the Integrated Annual Report 2020.

The Board Nomination and Remuneration Committee ("BNRC") had on 31 January 2020, reviewed and concluded that the existing remuneration framework remain competitive and appropriate based on the responsibilities of the Directors and the current market benchmarks. The Board has therefore proposed to retain the same framework for the past three (3) years, subject to a maximum amount of RM2,502,000.00. This has taken into consideration the frequency of meetings in 2021.

If Resolution 3 is passed, Directors' fees and benefits will be paid by the Company on a monthly basis and/or as and when incurred.

4. RE-APPOINTMENT OF AUDITORS

Ordinary Resolution 4

The Board, through the Board Audit and Examination Committee ("BAEC") had on 29 January 2021, completed its annual assessment on the external auditors i.e., Messrs. PricewaterhouseCoopers PLT ("PwC") in accordance with the BNM's Guideline on Corporate Governance for the appointment/re-appointment of external auditors. The assessment covered the following factors prior the BAEC recommendation on the re-appointment:

- i. Level of knowledge, capabilities, experience and quality of previous work;
- ii. Level of engagement with the BAEC and the Management;
- iii. Ability to provide constructive observations, implications and recommendations in areas requiring improvements;
- iv. Adequacy in audit coverage, effectiveness in planning and conduct of audit;
- v. Ability to perform audit work within agreed timeframe;
- vi. Non-audit services rendered by the external auditors did not impede independence; and
- vii. The external auditors demonstrated unbiased stance when interpreting standards/policies adopted by the Company.

Being satisfied with PwC performance in 2020, their technical competency and audit independence as well as fulfillment of criteria as set out in BNM's Guideline for the Appointment/Re-appointment of External Auditors, the Board, at its meeting held on 29 January 2021, approved the BAEC recommendation for the re-appointment of PwC as external auditors of the Company for the financial year ending 31 December 2021.

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

5. PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS

Ordinary Resolution 5

If passed, will enable the Company and/or its Subsidiaries to enter into recurrent transaction involving the interest of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company. The authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting of the Company.

For further details on Ordinary Resolution 5, please refer to Circular to Shareholders dated 30 April 2021.

6. RENEWAL OF AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN RESPECT OF THE DIVIDEND REINVESTMENT PLAN ("DRP")

Ordinary Resolution 6

If passed, will give authority to the Directors to allot and issue new ordinary share for the DRP in respect of dividends to be declared until the next Annual General Meeting. A renewal of this authority will be sought at the next Annual General Meeting.

NOTES ON ABSTENTION FROM VOTING

Any Director referred to in Ordinary Resolutions 1 and 2, who is a Shareholder of the Company will abstain from voting on the resolutions in respect of his/her re-election at the 24th AGM.

All Directors who are Shareholders of the Company will abstain from voting on Ordinary Resolution 3 concerning Directors' remuneration at the 24th AGM.

NOTES ON VIRTUAL AGM, VOTING RIGHTS AND PROCEDURES

- 1) The 24th AGM of the Company will be conducted **entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities ("RPEV")**. The Virtual Meeting via RPEV will be available at <https://web.lumiagm.com>. Please follow the procedures provided in the Administrative Guide for the 24th AGM in order to register, participate and vote remotely.
- 2) The venue of the 24th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 96 of the Company's Constitution which requires the Chairman of the meeting to be present at the main venue of the meeting. The notification of the venue of the 24th AGM is to inform shareholders where the electronic AGM production and streaming would be conducted. NO shareholders/proxies from the public will be physically allowed at the meeting venue.
- 3) In accordance with Clause 109 of the Company's Constitution, each member of the Company ("**Member**") shall be entitled to present and to vote at any general meeting of the Company, either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partially paid shares where calls are not due and unpaid. Members may exercise their rights to participate (including pose questions via the RPEV) during the 24th AGM.
- 4) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of the 24th AGM will be conducted by way of a poll.
- 5) The Company has appointed its share registrar i.e., Boardroom Share Registrars Sdn Bhd ("**Boardroom**") as a poll administrator to conduct the poll by way of electronic voting ("**e-voting**") and SKY Corporate Services Sdn Bhd as the Independent Scrutineers to verify the poll results.

NOTES ON APPOINTMENT OF PROXY

- 1) In accordance with Clause 92 of the Company's Constitution, a Member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to exercise all or any of his/her rights to attend, participate, speak and vote for him/her subject to the following provisions:-
 - a) save as provided for Note (2) below, Clause 113 of the Company's Constitution and the Companies Act 2016, each member shall not be permitted to appoint more than two (2) proxies to attend the same meeting; and
 - b) where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.

NOTICE OF THE 24TH ANNUAL GENERAL MEETING

- 2) For the avoidance of doubt and subject always to Note (1)(b) above, the Company's Constitution and the Companies Act 2016:
 - a) where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which an exempt authorized nominee may appoint in respect of each omnibus account it holds; and
 - b) where a Member is an authorised nominee, he/she may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorized nominee may be made separately or in one instrument of proxy should specify the securities account number and the name of the beneficial owner for whom the authorized nominee is acting.
- 3) There shall be no restriction as to the qualification of the proxy. Hence, a proxy may not need to be a Member.
- 4) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if such appointer is a corporation, under its Seal or the hand of its attorney.
- 5) The instrument appointing a proxy ("**Proxy Form**") must be deposited at the Registrar's office in the following manner:
 - a) by electronic means through the Boardroom Smart Investor Portal at <https://boardroomlimited.my> by logging in and selecting "E-PROXY LODGEMENT"; or
 - b) by hand or post to Boardroom Share Registrar Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia, not less than forty eight (48) hours before the time appointed for holding the meeting which is no later than 10.00 a.m. on Monday, 31 May 2021.
- 6) The lodging of a completed Proxy Form does not preclude a Member from attending and voting should the Member decided to do so. If the Member subsequently decided to attend the 24th AGM, the Member is requested to revoke the earlier appointment of proxy by notifying Boardroom in writing, no later than Monday, 31 May 2021 at 10.00 a.m.

MEMBERS ENTITLED TO ATTEND THE VIRTUAL AGM

For the purpose of determining a Member who is entitled to attend the virtual 24th AGM, the Company will request Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 93 of the Company's Constitution, to issue a Record of Depositor ("ROD") as at 25 May 2021. Only Depositor whose name appears on the ROD as at 25 May 2021 shall be entitled to attend the meeting or appoint a proxy(ies) to attend and/or vote on his/her behalf.

STATEMENT ACCOMPANYING NOTICE OF THE 24TH ANNUAL GENERAL MEETING

DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE 24TH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, BIMB Holdings Berhad wishes to highlight the Directors who are standing for re-election pursuant to Clause 133 of the Company's Constitution at the 24th Annual General Meeting of the Company are as follows:-

1. Datuk Nik Mohd Hasyudeen Yusoff

(Non-Independent Executive Director)

2. Encik Zahari @ Mohd Zin Idris

(Non-Independent Non-Executive Director)

Profiles of the above Directors are set out on pages 36 to 40 of this Integrated Annual Report.

DATE, TIME AND PLACE OF THE 24TH ANNUAL GENERAL MEETING

The 24th Annual General Meeting of BIMB Holdings Berhad will be held as follows:

Date : Wednesday, 2 June 2021

Time : 10.00 a.m.

How : Fully Virtual Meeting

Where : Broadcast venue at Level 31, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur, Malaysia

PROXY FORM



(Company No.: 199701008362 (423858-X))

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act, 2016)

*I/We _____

*NRIC No./Passport No./Company No. _____

of _____

and telephone no./email address _____

being a *member/members of BIMB Holdings Berhad (the "Company"), hereby appoint

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings
Email Address		Tel No	

*and/or

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings
Email Address		Tel No	

or failing *him/her, the Chairman of the meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 24th Annual General Meeting of the Company to be held fully virtual at the broadcast venue at Level 31, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 2 June 2021 at 10.00 a.m. or any adjournment thereof.

Please indicate with an "x" in the appropriate space(s) provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

NO.	ORDINARY RESOLUTION	FOR	AGAINST
1	TO RE-ELECT DATUK NIK MOHD HASYUDEEN YUSOFF AS A DIRECTOR		
2	TO RE-ELECT ENCIK ZAHARI @ MOHD ZIN IDRIS AS A DIRECTOR		
3	TO APPROVE THE PAYMENT OF DIRECTORS' FEES AND BENEFITS AMOUNTING TO RM2,502,000 PAYABLE TO DIRECTORS FROM THIS 24 TH AGM UNTIL THE 25 TH AGM OF THE COMPANY		
4	TO RE-APPOINT MESSRS. PRICEWATERHOUSECOOPERS PLT AS THE EXTERNAL AUDITORS OF THE COMPANY		
5	PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE		
6	RENEWAL OF AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE ORDINARY SHARES OF THE COMPANY IN RELATION TO DIVIDEND REINVESTMENT PLAN		

Signed this _____ day of _____, 2021.

Signature of Member/Common Seal

**Strike out whichever is not desired.*

Unless otherwise instructed, the proxy may vote as he/she thinks fit

Notes:

1. The 24th AGM of the Company will be conducted entirely on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting Facilities ("RPEV"). The virtual meeting Facilities will be available at <https://web.lumiagm.com>. Please follow the procedures provided in the Administrative Guide for the 24th AGM in order to participate remotely.
2. The venue of the 24th AGM is strictly for the purpose of complying with Section 327(2) of the Act and Clause 96 of the Company's Constitution which requires the Chairman of the meeting to be present at the main venue of the meeting. The notification of the venue of the 24th AGM is to inform shareholders where the electronic 24th AGM production and streaming will be conducted. NO shareholders/proxies from the public will be physically allowed at the meeting venue.
3. In accordance with Clause 109 of the Company's Constitution, each member of the Company ("Member") shall be entitled to present and to vote at any general meeting of the Company, either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partially paid shares where calls are not due and unpaid. Members may exercise their rights to participate (including pose questions via the RPEV) during the 24th AGM.
4. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of the 24th AGM will be conducted by way of a poll.
5. The Company has appointed its share registrar, i.e. Boardroom Share Registrar Sdn. Bhd. ("Boardroom" or "Registrar") as the poll administrator to conduct the poll by way of electronic voting ("e-voting") and SKY Corporate Services Sdn. Bhd. as the Independent Scrutineers to verify the poll results.
6. For the purpose of determining a Member who is entitled to attend the virtual 24th AGM, the Company will request Bursa Malaysia Depository Sdn. Bhd., in accordance with Clause 93 of the Company's Constitution, to issue a Record of Depositor ("ROD") as at 25 May 2021. Only a Member whose name appears on the ROD as at 25 May 2021 shall be entitled to attend the meeting or appoint a proxy(ies) to attend and/or vote on his/ her behalf.
7. Notes on Appointment of Proxy:
 - (a) In accordance with Clause 92 of the Company's Constitution, a Member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to exercise all or any of his/her rights to attend, participate, speak and vote for him/her subject to the following provisions:
 - (i) save as provided under Note (b) below, Clause 113 of the Company's Constitution and the Companies Act 2016, each Member shall not be permitted to appoint more than two (2) proxies to attend the same meeting; and
 - (ii) where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
 - (b) For the avoidance of doubt and subject always to Note (a)(ii) above, the Company's Constitution and the Companies Act 2016:
 - (i) where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds; and
 - (ii) where a Member is an authorised nominee, he/she may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one instrument of proxy should specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
 - (c) There shall be no restriction as to the qualification of the proxy. Hence, a proxy need not be a Member.
 - (d) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if such appointer is a corporation, under its Seal or the hand of its attorney.
 - (e) The instrument appointing a proxy ("Proxy Form") must be deposited at the Registrar's office in the following manner:
 - (i) by electronic means through the Boardroom Smart Investor Portal at <https://boardroomlimited.my> by logging in and selecting "E-PROXY LODGEMENT"; or
 - (ii) by hand or post to Boardroom Share Registrar Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the meeting which is no later than Monday, 31 May 2021 at 10.00 a.m.
 - (f) The lodging of a completed Proxy Form does not preclude a Member from attending and voting should the Member decides to do so. If the Member subsequently decided to attend the 24th AGM, the Member is requested to revoke the earlier appointment of proxy by notifying Boardroom in writing, no later than 10.00 a.m., Monday, 31 May 2021.

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BOARDROOM SHARE REGISTRARS SDN BHD

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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