



بیم اے ایم بی اے مولدیفیس برہاد

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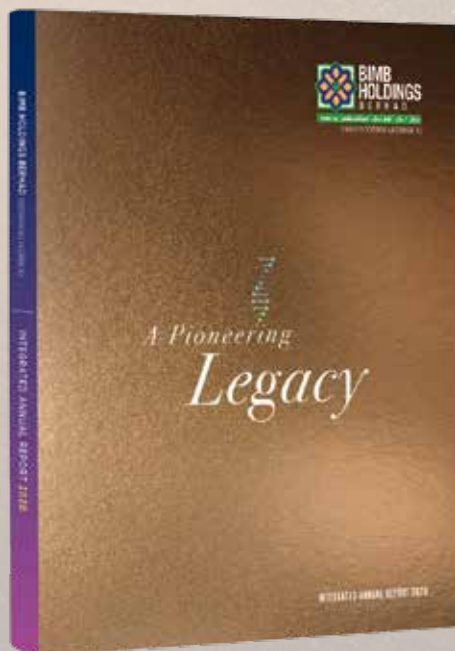
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A Pioneering Legacy

INTEGRATED ANNUAL REPORT 2020

A Pioneering Legacy

In 1997, BIMB Holdings Berhad (“BHB”) was established to house one-stop total Islamic financial solutions and nurture a diverse range of Shariah-compliant offerings for a budding new industry. Since then, we have witnessed our nation’s Islamic financial industry continuing to progress and develop by leaps and bound, and BHB is at the centre of it all. Aligned strategically to maximise marketplace opportunities and the potential of its operating subsidiaries, Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Keluarga Berhad and BIMB Securities Sdn. Bhd.; BHB has rightly been acknowledged as Malaysia’s leading Islamic Financial Holdings Company.



This year’s ultimate integrated annual report also serves as a legacy tribute to mark the end of an era and the dawning of new beginnings as BHB prepares for a transference of its listing status to its wholly-owned subsidiary, Bank Islam Malaysia Berhad in 2021. The double helix symbol reflects the thriving DNA that the Group has emerged and that can now be transferred seamlessly. The textured background depicts the strength and endurance of the Group that has been fortified over the years.

24th ANNUAL GENERAL MEETING



VENUE
FULLY VIRTUAL
@ Broadcast Venue
Level 31
Menara Bank Islam
22, Jalan Perak
50450 Kuala Lumpur



DATE/TIME
2 June 2021 (Wednesday)
10.00 a.m



**SCAN THE QR CODE
BY FOLLOWING THESE
SIMPLE STEPS**



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Download the "QR Code Reader" app from the Google Play (Android Market), BlackBerry AppWorld, App Store (iOS/iPhone) or Windows Phone Store



RUN IT

Run the QR Code Reader app and point your camera at the QR Code



ACCESS IT

Get access to the online Integrated Annual Report 2020

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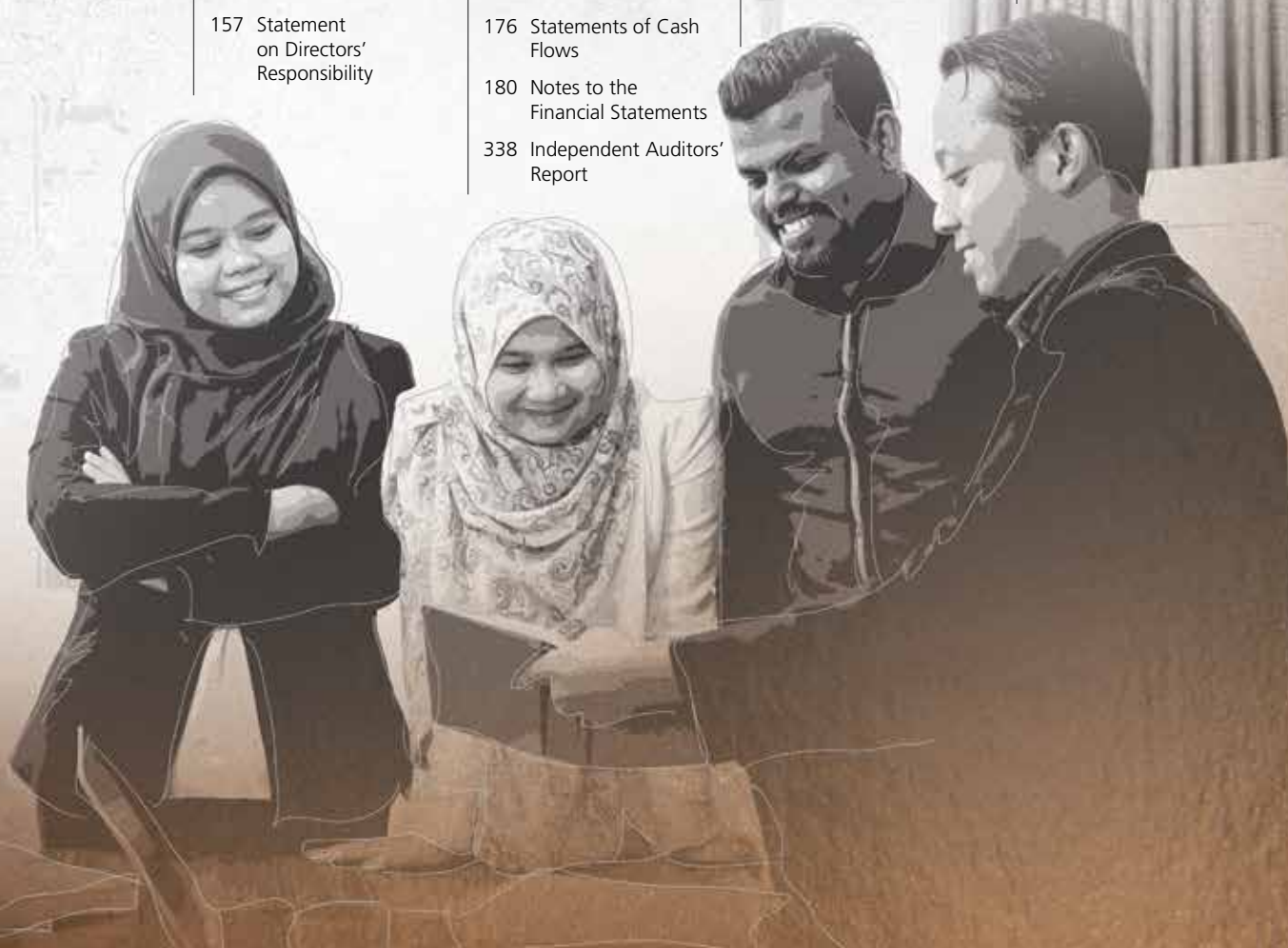
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About

NAVIGATIONAL ICONS FOR CAPITAL REPORTING

In 2016, we have conducted a Materiality Assessment with the assistance of independent consultants. This assessment engaged internal and external stakeholders to solicit feedback on our Group's material matters and involved a review of our Materiality Matrix to identify factors impacting our value delivery. Since then, we have established the five identified material matters as the Group's key priorities.

To help you navigate around our IAR, we use the following navigational icons to highlight our reporting of the six capitals of value creation, as prescribed in the International Integrated Reporting Council ("IIRC") Framework, as well as the material matters, or as we term it, our key priorities, that impact our value creation process.

STRATEGIC PRIORITIES TOWARDS VALUE CREATION

BIMB Holdings Berhad's sustainability strategic framework was developed towards the objective of becoming a Responsible Financial Entity. The five priorities that were identified have become the strategic priorities of the Group. These allow us to meet society's financial needs in the most sustainable and ethical manner possible.

KEY PRIORITIES



Responsible Finance



Inclusive Growth



Talent Enrichment



Ethical Practice &
Reporting



Islamic Finance &
Knowledge-Sharing

HOW WE CAN FURTHER IMPROVE

Our Group believes in maintaining meaningful and frequent discourses with our stakeholders throughout the year. Such engagements not only serve to build trust, but also improve the effectiveness of our strategy development with timely and relevant adjustments as required in response to new developments in our operating environment. As such, we greatly value feedback and would welcome your enquiries on our reporting. Please contact Group Corporate Communications team at 03-2781 2943/2781 2903.



This Integrated Annual Report ("IAR") for the financial year ended 31 December 2020 provides our stakeholders with pertinent information on our strategic progress and is a tangible representation of our leadership's steadfast commitment in integrating our Group's strategy development with good business management and reporting practices. Our integrated approach to business management, guided by our Key Priorities, means that the interests of our key stakeholders and our responses to these are discussed at the appropriate junctures throughout our report. Further details and comprehensive disclosure of our sustainability efforts are available at BIMB Holdings Berhad corporate website – www.bimbholdings.com/sustainability.



Bank Islam Integrated Annual Report

Bank Islam Malaysia Berhad ("Bank Islam") is our wholly-owned subsidiary, focusing on the Islamic banking sector. It too publishes its own integrated annual report.

www.bankislam.com/corporate-info/resources/annual-reports/



Takaful Malaysia Annual Report

Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia") is our subsidiary, focusing on Takaful operations. It too publishes its own annual report.

www.takaful-malaysia.com.my/corporate/investor/Pages/financialreports.aspx

Our Report

GUIDING FRAMEWORK

While we are guided by the International Integrated Reporting Council ("IIRC") Framework in preparing this book, we also refer to the following frameworks:

- Malaysian Financial Reporting Standards
- Malaysia Companies Act 2016
- Bursa Malaysia's Sustainability Reporting Guide
- FTSE4Good Bursa Malaysia
- Global Reporting Initiative G4
- Malaysian Code on Corporate Governance (MCCG 2017)

ASSURANCE

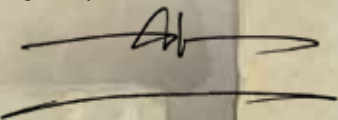
Our Group adheres to the principles of good governance, such as ensuring the reliability and completeness of the information presented in this IAR. This IAR was reviewed by Annual Report Working Committee ("ARWC") members endorsed by the Board to ensure that it complies with the IIRC Framework, adequately presents the material matters that impact the Group and fairly represents our Group's integrated performance and how it compares with our strategic aspirations. Together with the annual financial statements, this report was submitted to the Audit Examination Committee ("AEC") to review and recommend to the Board for approval. The Board then gave the final approval for this IAR.

Our financial statements are audited by PwC Malaysia for the financial year ended 31 December 2020. Assurance of the information and data pertaining to our sustainability disclosure is provided by BHB Sustainability Steering Committee that reports to BHB's Board of Directors.

APPROVAL BY THE BOARD

The Board acknowledges its responsibility in ensuring the integrity of this report, through good governance practices and internal reporting procedures.

Signed by



TAN SRI HAJI AMBRIN BUANG
Chairman

REPORTING SCOPE AND BOUNDARIES

The information in this IAR covers the 2020 financial year (1 January 2020 to 31 December 2020) and encompasses all business operations of BIMB Holdings Berhad ("BHB"), over which we have full control, and annual performance of our subsidiaries, unless stated otherwise. All significant items have been reported on a like-for-like basis; no major restatements were performed. This IAR should be read together with the information available on our website for a comprehensive overview of the Group.

USE OF FORWARD LOOKING STATEMENTS

Throughout this IAR, we have used forward-looking statements that relate to the plans, objectives, goals, strategies, future operations and performance of our Group. Such statements usually contain words like 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should', 'would' and 'will', amongst others. We do not intend for these statements to be guarantees of future operating, financial or other results, as they involve risks, uncertainties and assumptions in their representation of various possible scenarios. As such, actual results and outcomes could differ significantly from those expressed or implied. Our Group makes no express or implied representation or warranty that the results anticipated by these forward-looking statements will be achieved. We are under no obligation to update either these forward-looking statements or the historical information presented in this IAR.



IN RETROSPECT

AS THE FIRST LISTED ISLAMIC FINANCIAL INSTITUTION IN THE KUALA LUMPUR STOCK EXCHANGE, BHB HAS BEEN THE FLAGBEARER FOR THE INDUSTRY AND PIONEERED MANY INDUSTRY FIRSTS THROUGH ITS MAIN SUBSIDIARIES BANK ISLAM AND TAKAFUL MALAYSIA.



SINCE 1997, THE COMPANY HAS STAYED TRUE TO ITS PURPOSE OF PROMOTING BUSINESS GROWTH, DEVELOPING SUSTAINABLE VALUES AND ADVANCING THE ISLAMIC FINANCIAL INDUSTRY.

TOTAL REVENUE
RM5.0 BILLION

-7.5%

FINANCING
ADVANCES & OTHERS
RM54.7 BILLION

+10.5%

PROFIT BEFORE
ZAKAT AND TAX
RM1.1 BILLION

-8.9%

NET INCOME
RM2.9 BILLION

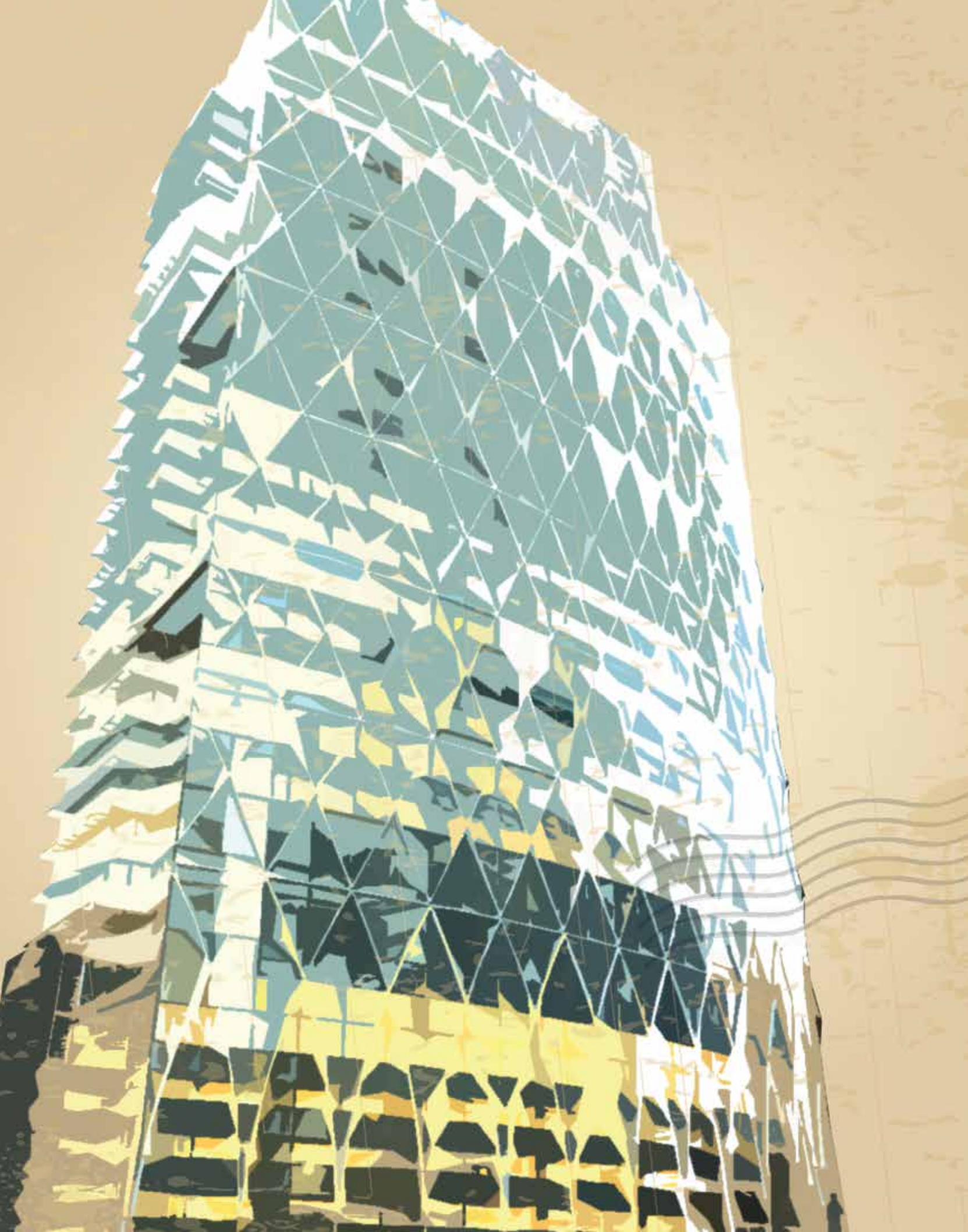
-4.6%

TOTAL ASSET SIZE
RM85.9 BILLION

+11.2%

GROUP RETURN
ON EQUITY

+12.8%



Our Story

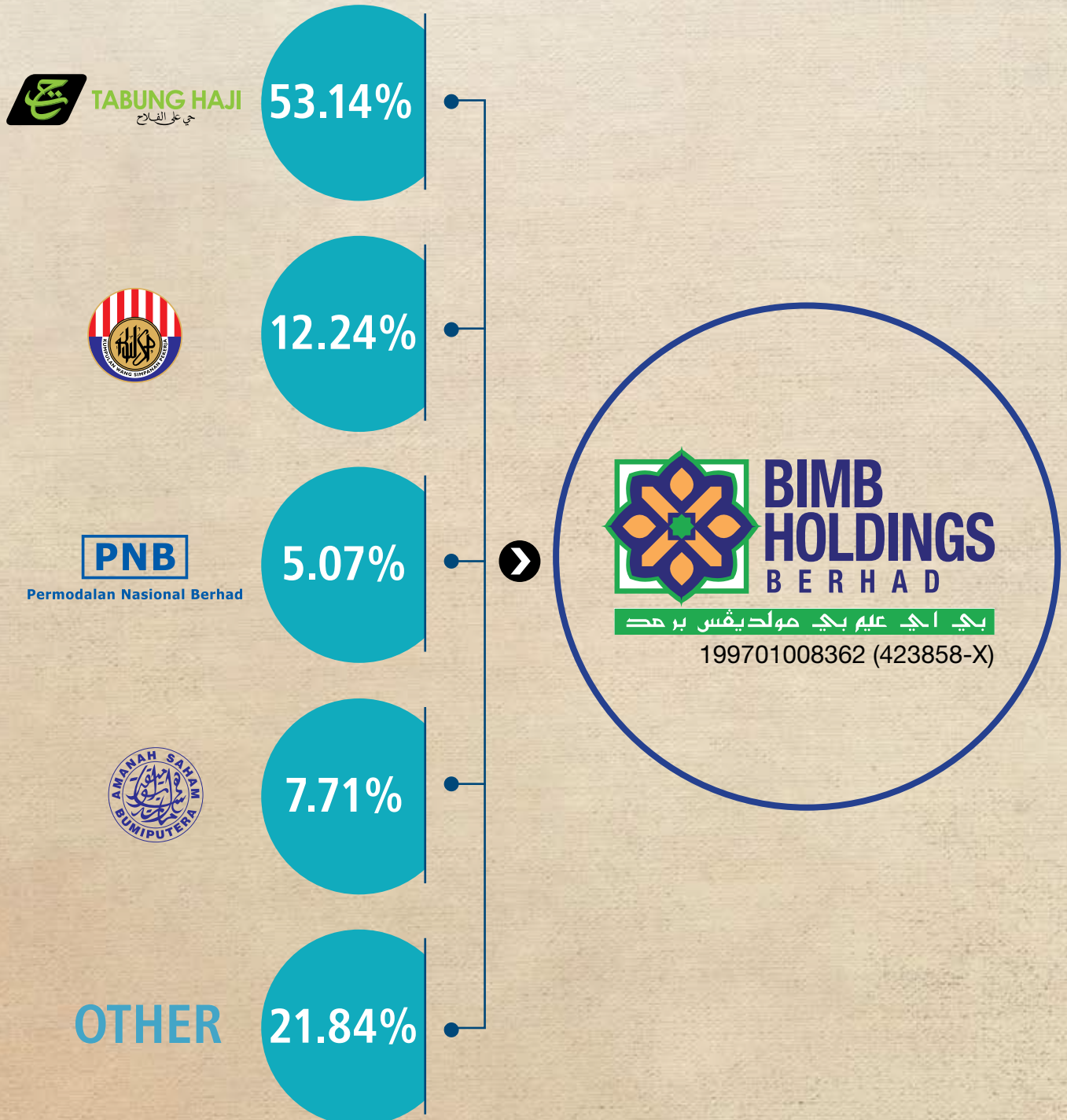


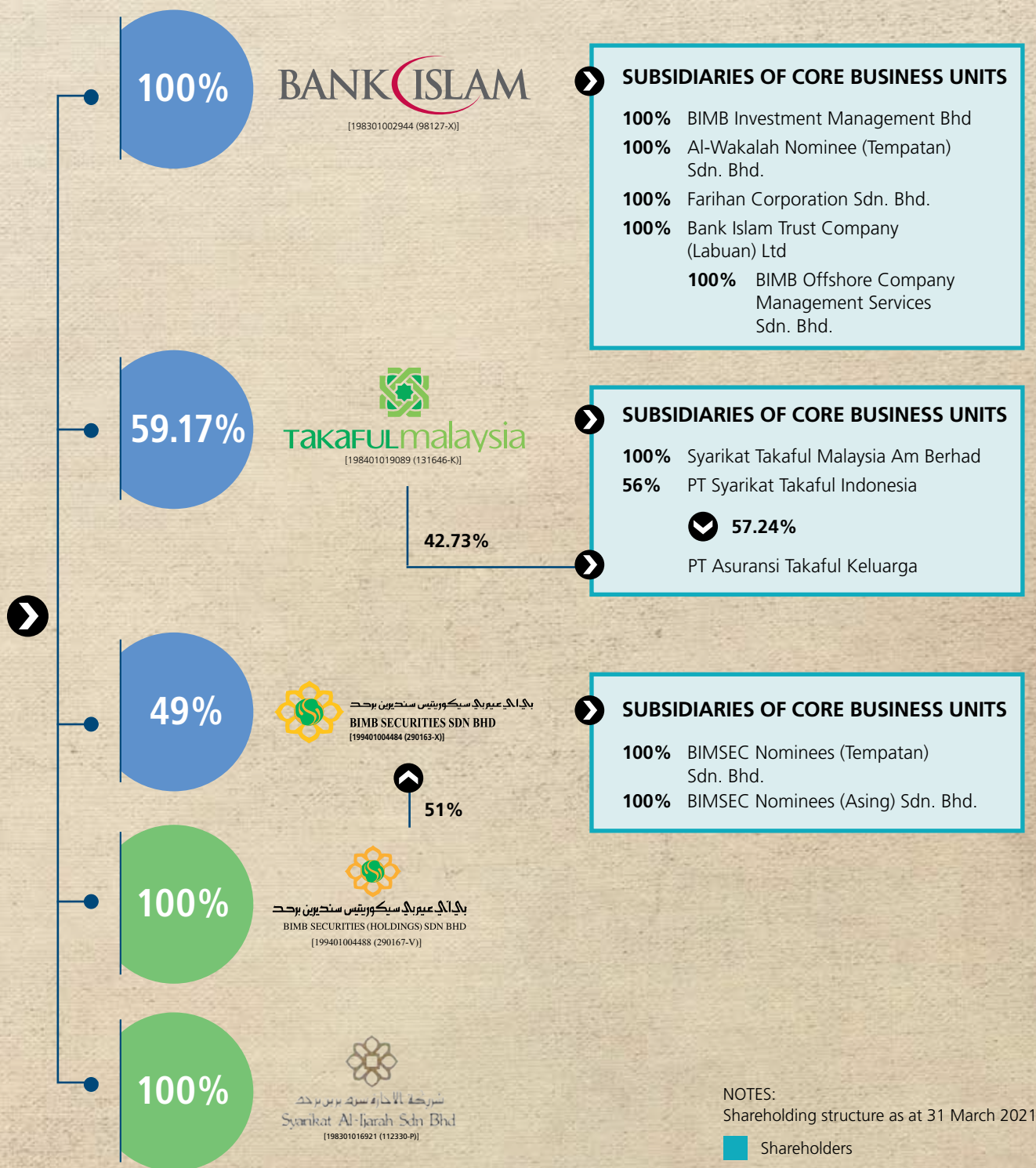
For over two decades, BIMB Holdings Berhad (“BHB”) contributed significantly to the tremendous growth of the industry, bringing pioneering Shariah banking, takaful and stockbroking activities to millions of customers across Malaysia, and transforming the country’s economic landscape. Within the industry, we are unique by having a complete holding portfolio of the nation’s pioneering Islamic financial institutions in the form of Bank Islam Malaysia Berhad (1st Islamic bank), Syarikat Takaful Malaysia Keluarga Berhad (1st takaful operator) and BIMB Securities Sdn. Bhd. (1st Islamic stockbroking company). The investments and active participations in developing these true pioneers of Islamic financial industry have truly left a legacy that continues to resonate for our stakeholders.

Through our operating subsidiaries, we maintain a significant presence in the country that ensures access to a wide range of Islamic financial solutions which include retail banking services and products, as well as insurance, wealth management and stockbroking. The expertise, experience and talents fostered by our operating subsidiaries have led to BHB being well-positioned to assist Malaysia in becoming a vibrant international Islamic financial hub committed to the ideals of sustainability and long-term value creation and delivery.

OUR STORY

OUR STRUCTURE





OUR STORY

OUR FOOTPRINT





BIMB Holdings Berhad is the first Islamic Financial Holding Company in Malaysia. A true pioneer of the industry, the Group offers a comprehensive spectrum of Islamic Financial & Banking services and products through its three main subsidiaries.



First & Leading Islamic Banking Institution in Malaysia



144
Branches



937
Self-Service Terminals



First & Leading Takaful Operator in Malaysia



24
Service Centres



Overseas subsidiaries
- PT Syarikat Takaful Indonesia
- PT Asuransi Takaful Keluarga



First Full-Fledged Shariah-Compliant Stockbroking Firm in Malaysia



The only full-fledged Shariah online trading system
www.bisonline.com.my

MOBILE AND ONLINE CHANNELS

BANK ISLAM



TAP Mobile Banking-i



Internet Banking



GO by Bank Islam Mobile App

TAKAFUL MALAYSIA



Online Sales Portal
– Click for Cover

Mobile Application
– Click for Cover



Online Portals
– myTakaful Customer
– myTakaful Corporate Agent
– myTakaful Employee Benefits
– myTakaful Partners

BIMB SECURITIES



Shariah online trading system
www.bisonline.com.my

GROUP CORPORATE INFORMATION

Board of Directors

Tan Sri Haji Ambrin Buang

Chairman/Independent Non-Executive Director

Noraini Che Dan

Senior Independent Non-Executive Director

Mohd Tarmidzi Ahmad Nordin

Independent Non-Executive Director

Datuk Nik Mohd Hasyudeen Yusoff

Non-Independent Executive Director

Zahari @ Mohd Zin Idris

Non-Independent Non-Executive Director

CHIEF EXECUTIVE OFFICER

Mohd Muazzam Mohamed

GROUP COMPANY SECRETARY

Maria Mat Said
LS 0009400 (PC 202008002449)

BOARD AUDIT & EXAMINATION COMMITTEE

Chairman
Noraini Che Dan

Members
Mohd Tarmidzi Ahmad Nordin
Zahari @ Mohd Zin Idris

BOARD NOMINATION & REMUNERATION COMMITTEE

Chairman
Noraini Che Dan

Members
Mohd Tarmidzi Ahmad Nordin
Zahari @ Mohd Zin Idris

BOARD RISK COMMITTEE

Chairman
Mohd Tarmidzi Ahmad Nordin

Members
Noraini Che Dan
Zahari @ Mohd Zin Idris

SHARIAH SUPERVISORY COUNCIL, BANK ISLAM MALAYSIA BERHAD

Chairman

Professor Dato' Dr. Ahmad Hidayat Buang

Members

Dr. Ahmad Shahbari @ Sobri Salamon

(Retired w.e.f. 31 March 2021)

Assistant Professor Dr. Uzaimah Ibrahim

(Retired w.e.f. 31 March 2021)

Associate Professor Dr. Yasmin Hanani Mohd Safian

Dr. Shamsiah Mohamad

Professor Dr. Asmadi Mohamed Naim

Datu Haji Kipli Haji Yassin

(Appointed w.e.f. 1 January 2021)

Secretary

Saiful Anuar Hambali

SHARIAH ADVISORY BODY, SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

Chairman

Professor Dr. Muhamad Rahimi Osman

Members

Dr. Ahmad Sufian Che Abdullah

Associate Professor Dr. Marhanum Che Mohd Salleh

Megat Hizaini Hassan

Dr. Nik Abdul Rahim Nik Abdul Ghani

SHARIAH ADVISORY COMMITTEE, BIMB SECURITIES SDN. BHD.

Chairman

Professor Emeritus Dato' Paduka Dr. Mahmood Zuhdi Haji Abdul Majid

Members

Ir. Dr. Muhamad Fuad Abdullah

Mohd Nazri Chik

CEOs IN THE GROUP

Mohd Muazzam Mohamed

Chief Executive Officer, BIMB Holdings Berhad

Chief Executive Officer, Bank Islam Malaysia Berhad

Dato' Sri Mohamed Hassan Kamil

Group Chief Executive Officer, Syarikat Takaful Malaysia Keluarga Berhad

Kamaruzaman Abdullah

Chief Executive Officer/Executive Director, BIMB Securities Sdn. Bhd.

AUDITORS

PricewaterhouseCoopers PLT

(LLP0014401 – LCA & AF 1146)

Level 10, 1 Sentral

Jalan Rakyat

Kuala Lumpur Sentral

50706 Kuala Lumpur

Malaysia

Tel: +60 (3) 2173 1188

Fax: +60 (3) 2173 1288

REGISTERED OFFICE

BIMB Holdings Berhad

[Registration No. 199701008362 (423858-X)]

31st Floor, Menara Bank Islam

No. 22, Jalan Perak

50450 Kuala Lumpur

Tel: +6(03) 2781 2999

Fax: +6(03) 2781 2998

SHARE REGISTRAR

Boardroom Share Registrars Sdn. Bhd.

[Registration No. 199601006647 (378993-D)]

11th Floor, Menara Symphony

No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13

46200 Petaling Jaya

Selangor Darul Ehsan

Tel: +6(03) 7890 4700

Fax: +6(03) 7890 4670

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

16 September 1997

Stock Short Name: BIMB

Stock Number: 5258

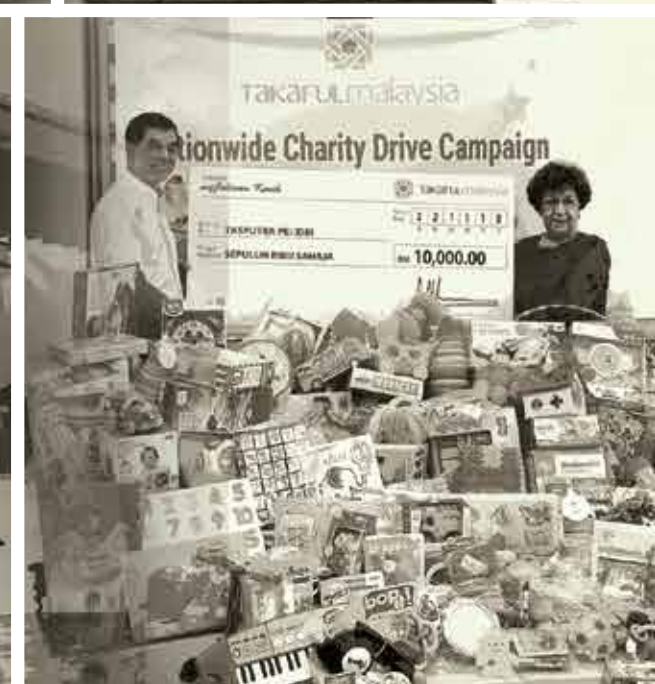


A TIMELINE OF ACHIEVEMENTS

Alhamdulillah

**NO OTHER WORD COULD DESCRIBE SO
SUCCINCTLY THE WAY WE PERFORMED**

BIMB Holdings Berhad (“BHB”) was established in 1997 as an investment holding company for Shariah-compliant business entities to spearhead the progress and development of Malaysia’s Islamic financial industry. Aligned strategically to maximise marketplace opportunities and our subsidiaries’ potential, BHB has been well-positioned to assist the Government’s aspirations to establish the country as a vibrant International Islamic Financial Centre committed to the ideals of sustainability and long-term value creation and delivery.



1997

BIMB Holdings Berhad ("BHB") was incorporated as an Investment Holding Company on 20 March 1997 and listed on the Main Market of Bursa Malaysia on 16 September 1997. The newly-founded company operated from Menara Yayasan Tun Razak, located at Jalan Bukit Bintang in Kuala Lumpur.

1998

BHB recorded a Profit Before Zakat and Tax of more than RM23 million.

After a restructuring exercise, BHB became the ultimate holding company of BIMB Securities.

1999

BHB's profit rose to more than RM100 million.

2000

Awarded the ISO 9001:2000 certification by SIRIM for trade financing and bills operations.

2001

Bank Islam was appointed as Lead Arranger for the world's first corporate global Sukuk based on Ijarah contract for the issuance of USD150 million by Kumpulan Guthrie Berhad.

Achieved Excellence Performance Award by Association of Islamic Banking Institutions Malaysia ("AIBIM").

2002

Bank Islam became the first bank in the Asia-Pacific region to introduce EMV-compliant credit cards with a chip-based system.

The Bank was named co-manager for Malaysia Global Sukuk Inc, the world's first Islamic sovereign Sukuk.

2003

Bank Islam launched its internet banking and became the first bank to offer zakat (tithe) payment facilities via ATM and credit card.

BIMB Securities increased its paid-up capital to RM1 billion.

2013

Bank Islam was named 'Most Innovative Islamic Bank in Malaysia' at the International Finance Magazine Awards 2013; and ranked as the 5th strongest bank in Malaysia by The Asian Banker, a renowned global financial publication.

The Bank introduced mPOS electronic payment facility for traders at Pasar Siti Khadijah in Kota Bharu, Kelantan, the first such implementation in Malaysia; and launched Bank Islam Team Harimau VISA Debit Card-i in collaboration with the Football Association of Malaysia.

Takaful Malaysia was awarded the 'Best Performing Stock' under the Finance Sector at The Edge Billion Ringgit Club Corporate Awards 2013, becoming the first-ever Islamic Financial Institution to have won such an award.

Takaful Malaysia clinched the Best Takaful Company in Malaysia at the 7th International Takaful Summit held in Cairo.

BIMB Securities was voted Shariah Trading Value 2013's Best Non-Investment Bank.

BIMB Holdings completed its acquisition of Bank Islam, now a wholly-owned subsidiary.

2012

The new BHB corporate office on the 31st Floor of Menara Bank Islam was officiated by Chairman, Tan Sri Samsudin Osman.

Bank Islam became the first bank to launch floating rates for personal financing, and the first Islamic financial institution to commit to the Anti-Corruption Principles for Corporations by signing the Malaysian Corporate Integrity Pledge ("CIP").

The Bank punched through the one million barrier with the issuance of a total of 1.21 million Bank Islam Visa Debit Card-i.

Takaful Malaysia launched 4 investment linked products and became the first insurer in Malaysia to invest and adopt a paperless system.

2011

Bank Islam charted Malaysian corporate history by being the first Islamic bank to advise on a listing exercise for APFT Berhad.

It announced a record PBZT of RM503.4 million, a 44% jump on an annualised basis.

The Bank assisted in the establishment of Amana Bank Ltd, the first Islamic bank in Sri Lanka, and launched its Debit Card-i.

Awarded "Anugerah Inovasi Islam Peringkat Kebangsaan 2011 bagi Inovasi Kewangan Islam" by MOSTI.

Voted as the Best Islamic Bank in Malaysia by Islamic Finance News Awards 2011.

DYMM Seri Paduka Baginda Yang Di-Pertuan Agong Al-Wathiqu Billah Tuanku Mizan Zainal Abidin launched Menara Bank Islam that stands tall on a parcel of waqf land in Jalan Perak, Kuala Lumpur.

Takaful Malaysia clinched the coveted BrandLaureate Award 2010-2011 in the Corporate Branding Category for Best Brands in Financial Services – Insurance Takaful for the second consecutive year.

Takaful Malaysia launched Takaful mySME, an affordable insurance scheme for SMEs.

2010

Bank Islam acquired Farihan Corporation Sdn. Bhd. and subsequently launched Islamic pawn-broking ("Ar-Rahnu").

The Bank pioneered the first mobile banking service without internet access known as TAP Mobile Banking-i.

Takaful Malaysia's assets hit a record RM4.37 billion, representing 50% of total takaful assets in Malaysia.

Takaful Malaysia clinched the coveted BrandLaureate Award 2009-2010 in the Corporate Branding Category for Best Brands in Financial Services – Insurance Takaful.



2004

Bank Islam became the first bank in Malaysia to offer SMS banking service.

Takaful Malaysia celebrated the 20th Anniversary of its establishment in 1994.



2009

Bank Islam launched the first-of-its-kind product, Al-Awfar Savings Account-i & Investment Account.

The Bank was the sole Islamic bank and only commercial bank that was approved by the Securities Commission under its list of Principal Advisers.

The Bank collaborated with Lembaga Tabung Haji in launching Uniteller Service which enables TH transactions and Haj registration to be performed at any Bank Islam branch.

The Bank was the manager for the Terengganu Investment Authority RM5 billion IMTN Programme; a landmark 30-year issue, longest tenured bond issued in Malaysia for both Sukuk and conventional bond markets.

Takaful Malaysia launched its new corporate logo and celebrated its 25th Anniversary. A rebranding campaign was launched in conjunction with the celebrations.

TakafulmyJalanan was launched as Takaful Malaysia's CSR umbrella brand.

2005

Bank Islam declared losses for the year ending 30 June, totalling RM457 million.

Takaful Malaysia committed to increasing efficiency via the ISO9001:2000, embarking on the "bancatakal" programme and initiating efficient exchanges within the BHB Group.

BIMB Securities introduced ECOS, an innovative service that provides internet share trading services.



2008

Bank Islam opened its first Bureau de Change and launched An Najah NID-i, the first Shariah-based structured product with healthcare as the investment theme.

The Bank began its first PINTAR programme and incepted Projek Bantuan Rumah.

Bank Islam integrates Tabung Haji account transactions in its ATM service.



2006

A Turnaround Plan was initiated to transform Bank Islam.

Bank Islam was the first bank in South East Asia to introduce an Islamic Platinum MasterCard.

Takaful Malaysia embarked on aggressive re-branding efforts.



2007

Bank Islam launched its new corporate identity and entered into its first Islamic cross-currency swap agreement.

Bank Islam's ASBI Dana Al-Munsif was awarded Best Mixed Asset Balanced Malaysian Ringgit Islamic Fund for a three-year period by The Edge-Lipper Malaysia Fund Awards 2007.

PNB sold off its shares, making BIMB Securities a wholly owned subsidiary of BHB (Direct and Indirectly).



2014

Bank Islam launched Programme Skim Latihan 1Malaysia ("SL1M") to help reduce the number of unemployed graduates as well as nurture talent in Islamic financial services.

Takaful Malaysia won the Best Takaful Company in Malaysia award for the second time at the 8th International Takaful Summit 2014 held in Abu Dhabi.

At The Edge Billion Ringgit Club Corporate Awards 2014, Takaful Malaysia was among the top three winners in the following categories:

- No 2 for the 'Best Performing Stock – Highest returns to shareholders over 3 years'
- No 3 for the 'Most Profitable Company – Highest return on equity over 3 years'
- No 3 for the 'Highest Profit Growth Company – Highest compound growth in profit before tax over 3 years'

BIMB Securities was 2nd Runner Up Best Institutional Equities Participating Organisation.

2015



Bank Islam launched its corporate social responsibility arm, AMAL, as well as the 'Sahabat Bank Islam' programme to proliferate Islamic banking and finance knowledge among the public.

BIMB Investment launched BIMB-Arabesque i Global Dividend Fund 1, the first Unit Trust fund with 100% overseas exposure and Malaysia's first ESG-compliant fund.

Takaful Malaysia won the Best Takaful Company in Malaysia award for the third time at the 9th International Takaful Summit 2015 held in London.



2020

BHB gets the Ministry of Finance and Bank Negara Malaysia's nod to transfer its listing status to Bank Islam.

BHB, Bank Islam and Takaful Malaysia contributed RM2.6 million towards COVID-19 relief efforts.

Bank Islam was named Malaysia's Strongest Islamic Retail Bank for 2020 by the Cambridge IFA.

BIMB Investment launched its first Robo-Intelligence Sustainable Shariah-ESG investing online platform, BEST Invest online investment mobile application.

Takaful Malaysia was awarded the Highest Returns to Shareholders Over Three Years and the Highest Return on Equity Over Three Years awards at the annual awards ceremony of The Edge Billion Ringgit Club 2020.



2019

BHB Group's total contribution for Zakat & CSR was more than RM4.6 million, serving more than 11,300 beneficiaries under socio-economic initiatives.

Bank Islam disbursed over half a million ringgit to aid 114 beneficiaries in need through Sadaqa House.

Received Top Performance Award 2019 from SJPP as one of top financier supporting the SME industry.

Takaful Malaysia received the Innovation Award under the Special Awards Category as well as the Race for Cover Award at the Malaysian Takaful Association's Takaful StarNite Awards 2019. It also achieved The Highest Return On Equity Over Three Years Award and The Highest Growth In Profit After Tax Over Three Years Award under the financial services sector at The Edge Billion Ringgit Club & Corporate Awards 2019.

BIMB Securities was 2nd Runner Up for Best Overall Bursa Malaysia-i Participating Organisation.



2016



BHB achieved the target of at least 30% Women on Board in Public Listed Companies.

BHB organised media briefings to educate the media as well as the public on the fundamentals of Islamic Finance in Malaysia, Shariah Governance and Investment Account under IFSA 2013.

Bank Islam launched its first Restricted Investment Account via Investment Account Platform ("IAP").

Takaful Malaysia clinched for the 4th time the 'Best Takaful in Malaysia' award at the International Takaful Awards 2016 held in London; was again awarded The Edge-BRC Best Performing Takaful Malaysia 10th Stock Award (Highest Returns to Shareholders Over Three Years) under the Finance sector; and received the Best Takaful Company 2016 Award at the Global Islamic Finance Awards ceremony held in Jakarta.

BIMB Securities was the Champion for Best Overall Bursa Malaysia-i Participating Organisation and Best Institutional Bursa Malaysia-i Participating Organisation.



2018



BHB surpassed the RM1 billion revenue mark for the first time.

Bank Islam launched Sadaqa House, a first-of-its-kind Islamic crowdfunding platform and was named TOP VBI SCORER by BNM.

BIMB Investment launched the World's First ESG Sukuk Fund the BIMB ESG Sukuk Fund and launched the BIMB-Arabesque ValueCap Malaysia Shariah-ESG Equity Fund as Malaysia's first Shariah Sustainable and Responsible ("SRI") Equity Fund under the SRI Guidelines by Securities Commission Malaysia.

Takaful Malaysia launched an online sales portal called "Click for Cover" as a start of its venture into digital insurance.

BIMB Securities was 1st Runner Up for Best Overall Bursa Malaysia-i Participating Organisation, and was appointed as the Shariah Adviser for the Islamic Funds managed by AmanahRaya Investment Management Sdn Bhd ("ARIM").

2017

The BHB group participated as the main sponsor in the inaugural Bursa Malaysia's Shariah Investing Fair.

Takaful Malaysia won the 'Best Takaful Company in Malaysia' award for the 5th consecutive time at the 11th International Takaful Summit 2017 in London; clinched The Edge-BRC Highest Returns to Shareholders Over Three Years Gold Award for the third time, the second year in a row and The Edge-BRC Highest Return on Equity Over Three Years Silver Award under the Finance sector.

Takaful Malaysia underwent a reorganisation exercise and changed its name to Syarikat Takaful Malaysia Keluarga Berhad.

BIMB Securities was 1st Runner Up for Best Overall Bursa Malaysia-i Participating Organisation.

BIMB Securities signed an MoU with PT MNC Sekuritas, a member of the Indonesia Stock Exchange.

OUR 2020 AWARDS

BIMB HOLDINGS BERHAD

- ASEAN Asset Class Award at the 2019 ASEAN Corporate Governance Scorecard Award by Minority Shareholders Watch Group ("MSWG")
- Industry Excellence Award at the MSWG-ASEAN Corporate Governance Awards 2019
- Corporate Excellence in the Finance & Investments Sector (Driving Innovations in Islamic Financing) at the International Business Review ASEAN Awards 2020

BANK ISLAM MALAYSIA BERHAD

- Digital Wallet Initiative of the Year 2020 (KipleUni Programme) by Asian Banking & Finance ("ABF")
- Strategic Partnership of the Year 2020 (eJamin) by Asian Banking & Finance ("ABF")
- Best FPX Bank by PayNet at the Malaysian e-Payments Excellence Awards ("MEEA") 2020
- Telekomang Hydro One RM470 Million Asean Green Sustainable and Responsible Investment ("SRI") Sukuk – Best Renewable Energy Sukuk – Hydro Malaysia by The Asset Asian Awards 2020 Islamic Finance
- Best Social Finance Initiatives (Sadaqa House Bank Islam), Malaysia 2020 by Global Brand Magazine ("GBM")



SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

- The Highest Return on Equity Over Three Years Award at the annual awards ceremony of The Edge Billion Ringgit Club 2020 ("BRC")
- The Highest Returns to Shareholders Over Three Years Award at the annual awards ceremony of The Edge Billion Ringgit Club 2020 ("BRC")
- Malaysian Deal of the Year 2019 for Urusharta Jamaah's RM27.56 Billion Sukuk by Islamic Finance News Awards
- The Strongest Islamic Retail Bank in Malaysia 2020 at the 6th Islamic Retail Banking Awards by Cambridge IFA
- Best Companies to Work for in Asia 2020 at the annual awards ceremony organised by HR Asia
- Most Attractive Graduate Employers to Work for in 2021 under the insurance category at the annual Graduates' Choice Award ("GCA") organised by Talentbank
- Al-Mansor Excellence in Islamic Financial Services Award at the Islamic Excellence Awards 1441H/2020
- Best CSR COVID-19 Initiative (AMAL Bank Islam), Malaysia 2020 for Production and Distribution of Personal Protective Equipment for Frontliners by Global Brand Magazine ("GBM")





TAN SRI HAJI
AMBRIN BUANG

2018

CURRENT



20
07

TAN SRI
SAMSUDIN OSMAN

THE WILL TO SUCCEED

2018

CURRENT



MOHD MUAZZAM
MOHAMED



2017



KHAIRUL
KAMARUDIN

DATO' SRI ZUKRI SAMAT



2015



THROUGH MARKET VOLATILITY AND ECONOMIC UPHEAVALS, BHB HAS REMAINED RESILIENT AND RESPONSIVE TO CHANGES. OUR PAST AND PRESENT LEADERS' COMMITMENT TO ENHANCING THE ISLAMIC FINANCE INDUSTRY, ALLIED WITH UPWARD MOBILITY IN OUR PERFORMANCE, HAVE PAVED THE WAY FORWARD OF UNWAVERING GROWTH AND ADVANCEMENT.



“

BHB has led the way in demonstrating how an Islamic financial institution can play a successful role in a modern economy. Today, we have grown from strength to strength, serving millions of customers across the nation while being at the forefront of contributing to the growth of Malaysia's leading position as a vibrant International Islamic Financial Centre.

”

CHAIRMAN'S REFLECTIONS



GROUP PBZT

RM **1.1** BILLION



GROUP PBZT CAGR

5.6 %



TOTAL ASSET SIZE

RM **85.9** BILLION

+11.2 %

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

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

and Salam Sejahtera

Dear Valued Shareholders,

As we are going through difficult times such as the current global pandemic, it is quite comforting to read Allah's promise in the Qur'an: **Indeed, with difficulty, there is ease. (Al-Inshirah 5-6)**. Through the many unprecedented challenges of the year, the nation has cemented its commitment to Malaysia's **Shared Prosperity Vision 2030 ("SPV2030")** to enable more effective and meaningful economic participation by all segments of societies. The host of newly launched programmes and policies as part of Budget 2021 have made the way forward clearer than ever. The pandemic has also catalysed our progress into Industry Revolution 4.0, as digitalisation and automation were rapidly harnessed and unleashed within Malaysia's banking and financial services industry.

So amidst a game-changing year of corporate transition, these windows of opportunities continue to drive the Group's pursuit of sustainable growth via financial inclusivity, societal responsibility, environmental focus and community development.

TAN SRI HAJI AMBRIN BUANG
CHAIRMAN

CHAIRMAN'S REFLECTIONS

STEADFAST VALUE DELIVERY THROUGH THE PANDEMIC

Since the onset of the pandemic crisis, our subsidiaries aligned their measures according to BNM's guidelines, which emphasise protecting consumers' financial viability, sustaining real economy, focusing on affordable investing, and supporting **frontline workers** and **underprivileged communities**.

Bank Islam has continuously been purposeful in empowering the communities by providing initiatives such as the automatic deferment plan for repayment, **SME Special Relief Facility ("SSRF")** to help alleviate the short-term cash flow predicament faced by SMEs. The Bank also introduced **ITEKAD microfinancing programme** to support the B40-owned microenterprises affected by the pandemic. **GO by Bank Islam mobile app** was launched to serve customers better. In paving the way to preserve and create wealth, **the world's first Shariah Sustainability Robo-Intelligence Investing app** called "**BEST Invest**" was launched by the Bank's subsidiary BIMB Investment Management Berhad.

Takaful Malaysia's **Click for Cover app** for online takaful application and services has been instrumental for increasing sales of its products at less cost. It has directly led to a 2% increase in PAZT for FY2020, even as revenue decreased. Takaful Malaysia then stepped up its product offerings to cater to emerging needs. **Takaful myClick MozzCare** was introduced to provide affordable online coverage against Dengue, Zika and COVID-19. Fortifying protection for SMEs, the **Takaful mySME** plan was designed to provide SME clients with the option to choose the protection they need by creating a customised and holistic package that best suits their business needs. **Takaful myWealth Plus** was also introduced as a high protection takaful plan with guaranteed cash payment.

The Group has also contributed generously to **COVID-19 prevention measures** during the year in addition to on-going **corporate social responsibility initiatives**. A series of webinars were held, together with participation in roadshows to promote financial wellbeing and **career fairs** to provide job opportunities.

“

The Group has also contributed generously to **COVID-19 prevention measures** during the year in addition to on-going corporate social responsibility initiatives. A series of webinars were held, together with participation in roadshows to promote financial wellbeing and career fairs to provide job opportunities.

”

In safeguarding the health and safety of our employees and customers, all subsidiaries within the Group have established robust protocols and awareness management, implemented flexible work arrangements, quarantine measures, regular sanitisation works and enforced new norms for employees, customers and other visitors.

Moving forward, the Group remains resilient and will stay the strategic course of recalibrating key tactics and initiatives by adopting **Value-Based Intermediation ("VBI")** in its business model, acknowledging that this is now a new norm.

COMMENDABLE FINANCIAL PERFORMANCE

For the year in review, the financial industry as a whole was impacted by lower net financing income arising from multiple downward revisions of the Overnight Policy Rate ("OPR"), the recognition of modification loss due to industry-wide moratorium exercise and pre-emptive impairment provision in consideration of the challenging economic environment. Against this backdrop, the Group achieved commendable Profit Before Zakat and Tax ("PBZT") of **RM1.1 billion**. The five-year PBZT Compound Annual Growth Rate ("CAGR") remained robust at 5.6%.

Resiliently responding to the year's challenges, our subsidiaries leveraged strong fundamentals to chart significant achievements. The **Bank Islam Group's ("Bank Islam" or "the Bank")** assets portfolio quality remained strong, recording a lower gross impaired financing ratio than the banking system, at 0.67%. Net financing remained robust at 10.5% year-on-year ("Y-o-Y") growth, and the Total Capital Ratio was a strong 19.8%. Riding on these results, Bank Islam had been reaffirmed as AA3/Stable/P1 by RAM Ratings in 2020.

Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia") sustained its market-leading position in the Family Takaful business with a 23% market share. It maintained the second largest market share in the General Takaful business, recording a 2% increase in PBZT of RM426.8 million and a 14% increase in total assets to RM11.8 billion during the year under review.

BIMB Securities Sdn. Bhd. ("BIMB Securities") grew its Retail Dealing income in 2020 with an increase of 264% in Gross Brokerage (including Remisiers) as compared to 2019. The Company also continued to improve its income generation from the Non-Dealing activities, in line with the target to increase the fee-based income, with a 26% increase in the year under review. However, Institutional Dealing business remained to be uncertain with Institutional investors in the likes of Government-Linked Investment Companies ("GLIC")s and Government-Linked Companies ("GLC")s shifting their portfolios into the Global equities and fixed income that resulted in a 27% decline in brokerage revenue in 2020. The Company recorded a smaller Loss Before Zakat and Tax ("LBZT") of RM2.36 million as compared to the LBZT of RM3.94 million recorded in 2019.

Both Bank Islam and Takaful Malaysia continued to be recognised with industry awards and recognitions that reflect the maturity they have attained in their respective businesses. These are clear indications that they are capable and ready to forge their paths of strength and progress as independent entities.

More details on the financial performance of Bank Islam, Takaful Malaysia and BIMB Securities are noted in the Management Discussion and Analysis section from page 81 to 88.

CONTINUED DIVIDENDS FOR OUR SHAREHOLDERS

With BHB's healthy after-tax Return on Equity ("ROE") at 12.8%, earnings per share were solid at **40.21 sen** though lower when compared to FY2019's 44.75 sen. Net asset per share improved to **RM3.63** at the end of 2020 compared with RM3.34 in 2019.

We continue to uphold a dividend pay-out policy of at least 50% of net profit attributable to its ordinary shareholders. Whilst the Board believes in rewarding the Company's shareholders with a steady return on their investment, the Board is also mindful of retaining adequate reserves for the Company's future growth.

On 30 November 2020, the Board declared an interim dividend of RM225.9 million or 12.60 sen per ordinary share in BHB for 2020, of which approximately 9% or RM 20.4 million was distributed as cash dividend. 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.



BANK ISLAM

[198301002944 (98127-X)]

PBZT

RM728.2 MILLION

NET FINANCING

↑ 10.5%



takafulmalaysia

[198401019089 (131646-K)]

PBZT

RM426.8 MILLION

↑ 2%



بي.ايم.بي. سي.كورتيس اس.بى.د
BIMB SECURITIES SDN BHD
[199401004484 (290163-X)]

GROSS BROKERAGE (RETAIL)

↑ 264%

CHAIRMAN'S REFLECTIONS

“

On 10 December 2020, BHB obtained approval from the Minister of Finance and Bank Negara Malaysia for its proposed internal reorganisation and distribution and capital repayment, paving the way for transferring its listing status to Bank Islam Malaysia Berhad.

”

A LEGACY OF TRUST AND GOOD GOVERNANCE

Islamic finance has grown in leaps and bounds for the past five to six decades. In the product development space, industry practitioners have worked closely with Shariah scholars to devise workable and innovative solutions that meet commercial demands and Shariah compliance requirements. As the market grows, the number of players has expanded, and product knowledge and development have become more extensive and diversified.

BHB's expansion across the industry as a pioneering force has branded and positioned us as the only full-fledged financial house in Malaysia servicing the population nationwide without preference for any race, status and religion. This openness has made BHB market-friendly to all Malaysians, not only for Muslims; and is the defining legacy of the Group.

To date, BHB has been able to sustain a very creditable performance thanks to the Board of Directors' exemplary leadership and the dedication and commitment of the management team and staff of BHB and its subsidiary companies. Over the years, we have strengthened our corporate governance in line with our shareholders and the authorities' aspirations. The various awards obtained internationally and domestically are a good testament to our efforts.

A NEW DAWN EMERGES

On 10 December 2020, BHB obtained approval from the Minister of Finance and Bank Negara Malaysia for its proposed internal reorganisation and distribution and capital repayment, paving the way for transferring its listing status to Bank Islam Malaysia Berhad.

The proposed placement entails issuing new ordinary shares in BHB to raise gross proceeds of up to RM800.0 million. With internal cash, the proceeds will redeem the outstanding BHB Sukuk held by Lembaga Tabung Haji ("LTH") entirely. Our Board of Directors has resolved to fix the price taking into consideration the availability of internal cash reserves of the Group to settle the Warrants Consideration. The warrants consideration has been set based on the current market price; the 5-day Volume Weighted Average Price ("VWAP") up to and including 25 February 2021. A fully virtual Extraordinary General Meeting ("EGM") and Court Convened Meeting ("CCM") was held on 31 March 2021 during which our shareholders and warrant holders have approved and fully supported the proposed restructuring of BHB Group of Companies and for the transfer of listing status to proceed.

Once the listing transfer is completed, the Bank will emerge as the only full-fledged Islamic financial institution listed in Malaysia 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 both markets' growth in our efforts to expand our customer base. With this newly emerged Bank Islam "group", we can look forward to enhancing group value proposition plans.

In the next two years, I envisage the Bank **fortifying resilience** in sustaining **post-recovery growth**. The immediate action is to **absorb losses while building reserves**. It should continue to observe **strict cost containment discipline** and prioritisation in both **operational and capital expenditure**. The Bank will look into **expanding alternative revenue stream capabilities** through fee-based income by strengthening its local market position and building a winning operating model premised on our **retail-driven portfolio**, through wealth creating solutions.

Through the adoption of VBI into its business model, the Bank aims to propel the real economy through **eco-system play for enterprises**. **Nurturing the Halal sector** is another key agenda of the Bank, especially in supporting programmes that lead to halal job creation. Tapping on the supply-chain eco-system, the Bank looks forward to further **capability enhancements** for **GO Mobile app**, enabling connectivity with **GO Biz** and **BEST Invest apps**. By persevering **digitalisation**, the Bank hopes to catalyse entrance into new markets and **penetrate new segments** via new technology and business models premised on digital bank proposition.

A strong Social Finance initiative is part of the Bank's 2021 Strategic Goals, and on this front, the Bank strives to facilitate effective wealth circulation. Islamic financial instruments could support Malaysia's growth towards a high-income country. Through its social finance arm, Sadaqa House, the Bank hopes to uplift social finance nurturing by growing subscriptions of **ITEKAD**, **BangKIT Microfinance** and other innovative sadaqah, waqf and zakat solutions to generate a more significant impact on the unbankable target group.



Islamic banking also has great potential to utilise Islamic social, financial instruments such as zakat, waqf and sadaqah. These instruments should not be limited to providing basic needs and livelihoods of the needy or for religious purposes such as the construction of mosques and madrasahs only. It can be expanded to help the underprivileged and the community severely affected by the uncertain economic situation, to enable them to be independent and sustainable in the long run.

For financial institutions to ensure sustainable growth, they must evolve service excellence, harness digitalisation, adhere to disciplined financial management, and engage in performance-based criteria. These are the fundamental yardsticks. In today's world, this means harnessing digital technologies and creating a unique distinct customer experience that builds loyalty. The Group will be focusing and spending more on its digitalisation strategy to provide better and faster services to be on par with our competitors.

Governance, assessed through regulations, corporate governance, and Shariah governance, also provides an important indicator of the health of the Islamic finance industry's infrastructure. I fully expect good corporate governance practised with appropriate controls to maintain consumer and investor confidence in the industry to derive their reorganisation's intended benefits.

Profits should be balanced with social responsibility – this should be the hallmark of any Islamic financial institution. Given our DNA, the focus should also be on ensuring service deliverables to our stakeholders and helping them back on their feet through sustainable measures. Our commitment to living up to VBI priorities will see the Bank emphasising helping out customers and business partners to withstand the economic impact. We will continue to stand by the communities in the face of socio-economic challenges and deliver sustainable values to its stakeholders that ensure the preservation of societal wellbeing, health, and wealth.

CHAIRMAN'S REFLECTIONS

THE FUTURE OPERATING ENVIRONMENT

Generally speaking, the 2021 GDP is expected to be better than last year. The government is currently sticking to their 2021 GDP forecast of 6% to 7.5%. However, things are still fluid now.

From a global overview, the external sector has been quite rosy recently. The US government, for one, is likely to keep pump-priming the economy with the US Congress is set to approve the fiscal packages totalling USD1.9 trillion by the end of February. The commodities market also looks promising, with Brent Crude hovering more than USD60 per barrel presently and the Crude Palm Oil ("CPO") spot prices lingering at RM3,850 per metric tonne. Given that commodities-related export accounted for 20% of Malaysia's total exports in 2020, rising commodity prices, namely Brent Crude and CPO, would be good for government coffers and the general economy.

The number of new COVID-19 cases is currently elevated, although there seems to be an improvement. The smooth rollout of the nation's vaccination programme holds the key to a sustainable reopening of the economy

Given the challenging environment, financial institutions will endeavour to sustain return on equity ("ROE"). It is forecasted that apart from capital management activities, banks will buckle down on organic growth and build resilience in their business operations by improving fee income, boosting productivity and efficiency, and strengthening asset quality. I expect Islamic banking to continue playing a significant role in the local economy. Malaysia remains a centre of excellence for the global Islamic banking industry and continues to be developed as a global hub. The strong foundation and regulatory infrastructure that have been instituted and strengthened over the years, as per the Financial Sector Blueprint 2011-2020, ensures the industry's resilient growth and development

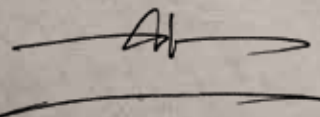
Within these uncertain conditions, Islamic banking provides greater confidence over conventional banking. They are perceived as bound to a higher moral standard, with earnings derived from tangible assets such as real estate and equity. Therefore, the contribution of Islamic financing to Malaysian banking system financing is likely to sustain, supported by the regulatory backdrop that provides a level playing field and banks that continue to promote Islamic products.

APPRECIATION & ACKNOWLEDGEMENTS

As I pen these final words of appreciation in the 2020 Integrated Annual Report, I take pride in having brought BHB to this momentous point. For the last three years (2018 to 2020), the Group's before-tax profits have exceeded RM1 billion despite tight regulatory conditions and the COVID-19 pandemic. It is a major milestone for an Islamic institution.

Before signing off on this final report, the Board and I would like to express our appreciation to the Malaysian government and regulatory authorities, particularly BNM and the Securities Commission. They continue to build on the sound infrastructure and frameworks for Islamic finance. I would also like to thank my colleagues on the Board for their outstanding service during the year and seeing through this transition of listing status. I am grateful to be allowed to serve alongside them and the value they have brought to the Board and the BHB Group.

Lastly, let me express my heartfelt gratitude to the Shariah Supervisory Council, the Management team and all employees for their unparalleled commitment and excellent performance, particularly in this period of change. Today, we are where we are because of their sense of responsibility, dedication and pride in what they do. There is no doubt in my mind that moving forward, our businesses will be in a better position for future, long-term growth.



TAN SRI HAJI AMBRIN BUANG
Chairman



The biggest legacy of BHB has been its ability to create TRUST to customers and vice versa. This symbiotic relationship is the biggest asset of the Group. As we progress further we need to uphold this trust given to us by our stakeholders and continue to escalate good corporate governance, integrity and transparency.

TAN SRI DR. ISMAIL HJ. BAKAR
Chairman, BANK ISLAM

THE CHAIRMEN OF BHB GROUP SHARE THEIR THOUGHTS ON THE GROUP'S LEGACY.

BHB has evolved a well-known branding, being the only full-fledged financial house in Malaysia servicing the population nation-wide without preference for any race, status and religion. This openness has made BHB market friendly to all Malaysians, not only for Muslims.

ZAHARI @ MOHD ZIN IDRIS
Chairman, BIMB SECURITIES

BHB's ability to lead, shape, and revolutionise the financial landscape in Malaysia, in line with the Government's aspirations, has successfully contributed to our nation's reputation as a vibrant International Islamic Financial Centre. Where we are now would not have been possible if we were not part of the BHB Group. The Group's cooperation, synergy, shared values and experiences of transformation and innovation has shaped our DNA as a leading Islamic financial institution.

DATO' MOHAMMED HAJI CHE HUSSEIN
Chairman, TAKAFUL MALAYSIA

HELMING THE



Mohd Tarmidzi Ahmad Nordin

Tan Sri Haji Ambrin Buang
Chairman

BOARD



Noraini Che Dan



Datuk Nik Mohd Hasyudeen Yusoff



Zahari @ Mohd Zin Idris

PROFILE OF

Date of Appointment:

2 February 2018

Qualifications:

- Master in International Business, University of South Carolina (USA)
- Degree in Economics, University of Malaya

Areas of Expertise:

Audit, Public Sector

Working Experience:**Present:**

- Chairman, Lingkaran Trans Kota Holdings Berhad
- Trustees, Yayasan Pelaburan Bumiputra
- Trustees, Lembaga Zakat Selangor

Previous:

- Auditor General of Malaysia
- Secretary General, Ministry of Education
- State Secretary, Selangor State Government
- Senior General Manager, KL International Airport Berhad
- Minister of Economics Affairs, Malaysian Embassy in Tokyo, Japan
- Deputy Director, National Institute of Public Administration
- Deputy Director, Malaysian Timber Industry Board
- Deputy Director, Small Scale Industry, Ministry of International Trade and Industry
- Deputy Director, Industries Division, Ministry of International Trade and Industry
- Private Secretary, Ministry of International Trade and Industry

Directorship of Other Public Companies:

- Lingkaran Trans Kota Holdings Berhad
- Gamuda Berhad
- Yayasan Pelaburan Bumiputra

Membership of Board Committees in BIMB Holdings Berhad:

None

Meeting Attendance:

10 of 11 Board Meetings held in the Financial Year Ended 31 December 2020

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.



TAN SRI HAJI AMBRIN BUANG

Chairman
Independent Non-Executive Director



DIRECTORS

Date of Appointment:

1 April 2016

Qualifications:

- Member, Malaysian Institute of Accountants ("MIA")
- Member, Malaysian Institute of Certified Public Accountants ("MICPA")
- Bachelor of Econs (Hons), University of Manchester, United Kingdom

Areas of Expertise:

Accounting and Finance

Working Experience:

Present:

Company Director

Previous:

- Vice President, Finance of MISC Berhad
- Served 15 years with Perbadanan Nasional Berhad ("PERNAS") in various senior positions including that of Group General Manager, Finance
- Audit Senior at Hanafiah, Raslan & Mohamed

Directorship of Other Public Companies:

- SP Setia Berhad
- Tenaga Nasional Berhad
- Bank Islam Malaysia Berhad

Membership of Board Committees in BIMB Holdings Berhad:

- Chairman, Board Audit and Examination Committee
- Chairman, Board Nomination and Remuneration Committee
- Member, Board Risk Committee

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2020

Declaration of Interest:

She has no conviction for offences within the past 5 years. She has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.



NORAINI CHE DAN

Senior Independent Non-Executive Director

65



PROFILE OF DIRECTORS

Date of Appointment:

29 June 2015

Qualifications:

- Associate, Chartered Insurance Institute (UK) ("ACII")
- Fellow, Malaysian Insurance Institute ("FMII")
- MBA in Islamic Finance, International Islamic University Malaysia ("IIUM")

Areas of Expertise:

Insurance, Takaful and Islamic Finance

Working Experience:

Present:

Chairman, AmMetLife Takaful Berhad

Previous:

- Chief Executive Officer, Etiqa Takaful Berhad
- Associate Lecture, Malaysia Insurance Institute
- Director, Graham Miller (M) Sdn Bhd
- Head, General Takaful Division, Syarikat Takaful Malaysia Keluarga Berhad

Directorship of Other Public Companies:

AmMetLife Takaful Berhad

Membership of Board Committees in BIMB Holdings Berhad:

- Chairman, Board Risk Committee
- Member, Board Audit and Examination Committee
- Member, Board Nomination and Remuneration Committee

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2020

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.



MOHD TARMIDZI AHMAD NORDIN
Independent Non-Executive Director



DATUK NIK MOHD HASYUDEEN YUSOFF

Non-Independent Executive Director

56



Date of Appointment:

1 June 2018

Qualifications:

- Member, Malaysian Institute of Accountants ("MIA")
- Fellow, CPA Australia
- Advanced Business Management Program, IMD International, Switzerland
- Bachelor of Business, Curtin University of Technology, Australia

Areas of Expertise:

Accounting

Working Experience:

Present:

Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji

Previous:

- Executive Director, Market and Corporate Supervision, Securities Commission Malaysia
- Executive Chairman, Audit Oversight Board, Securities Commission Malaysia
- Chairman, Khairuddin, Hasyudeen & Razi, Chartered Accountants

Directorship of Other Public Companies:

- Bank Islam Malaysia Berhad
- Al Hijrah Media Corporation
- TH Plantations Berhad
- Yayasan Tabung Haji

Membership of Board Committees in BIMB Holdings Berhad:

None

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2020

Declaration of Interest:

He has no conviction of offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB except by virtue of being a nominee Director of Lembaga Tabung Haji.

PROFILE OF DIRECTORS

Date of Appointment:

3 February 2020

Qualifications:

Senior Cambridge Certificate

Areas of Expertise:

Banking and Finance

Working Experience:

Present:

- Non-Independent Non-Executive Director, Bank Islam Malaysia Berhad
- Chairman, Bank Islam Trust Company (Labuan) Ltd
- Chairman, BIMB Offshore Company Management Services Sdn Bhd
- Chairman, BIMB Securities (Holdings) Sdn Bhd
- Chairman, BIMB Securities Sdn Bhd

Previous:

- Executive Director/Chief Executive Officer, Inter-City MPC (M) Sdn Bhd
- General Manager, Commercial Banking, Malayan Banking Berhad
- Assistant General Manager, Malayan Banking Berhad
- Deputy Zone Head, Head Office, Malayan Banking Berhad
- Area Manager, Malayan Banking Berhad
- Branch Manager, Malayan Banking Berhad
- Assistant Branch Manager, Malayan Banking Berhad
- Trainee Officer, Malayan Banking Berhad

Directorship of Other Public Companies:

Bank Islam Malaysia Berhad

Membership of Board Committees in BIMB Holdings Berhad:

- Member, Board Audit and Examination Committee
- Member, Board Risk Committee
- Member, Board Nomination and Remuneration Committee

Meeting Attendance:

9 of 9 Board Meetings held in the Financial Year Ended 31 December 2020

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.



ZAHARI @ MOHD ZIN IDRIS

Non-Independent Non-Executive Director





MEETING

Wednesday, 22 May 2019
Unit K... Kuala Lumpur



ALWAYS AT THE
FOREFRONT TO SERVE WITH
INTEGRITY AND
RESPONSIBILITY



UPHOLDING SHARIAH





1

PROFESSOR DATO' DR. AHMAD HIDAYAT BUANG

Chairman, Shariah Supervisory Council,
Bank Islam Malaysia Berhad

2

PROFESSOR DR. MUHAMAD RAHIMI OSMAN

Chairman, Shariah Advisory Body,
Syarikat Takaful Malaysia Keluarga Berhad

3

PROFESSOR EMERITUS DATO' PADUKA DR. MAHMOOD ZUHDI HAJI ABDUL MAJID

Chairman, Shariah Advisory Committee,
BIMB Securities Sdn. Bhd.

UPHOLDING SHARIAH

1

PROFESSOR DATO' DR. AHMAD HIDAYAT BUANG

Chairman, Shariah Supervisory Council,
Bank Islam Malaysia Berhad



Date of Appointment:

1 April 2015 (member since 1 April 2011)

Qualifications:

- Bachelor of Shariah, University of Malaya
- Master of Law (School of Oriental and African Studies), University of London
- Doctor of Philosophy (School of Oriental and African Studies), University of London

Areas of Expertise:

Islamic Commercial Laws (Fiqh Al-Muamalat)

Working Experience:

Present:

- Chairman, Shariah Supervisory Council, Bank Islam Malaysia Berhad
- Chairman Group Shariah Committee, MNRB Holdings Berhad
- Member, Independent Non-Executive Director, Takaful Ikhlas Family Berhad
- Professor, Department of Shariah and Law, Academy of Islamic Studies, University of Malaya
- Chairman, Shariah Committee, Amanah Raya Berhad

Previous:

- Director, Academy of Islamic Studies, University of Malaya
- Shariah Advisor, CIMB Bank Berhad
- Shariah Advisor, OCBC Bank
- Shariah Advisor, Commerce Tijari Bank
- Shariah Advisor, Amanah Raya Unit Trust Management Sdn. Bhd.
- Shariah Advisor, ASM MARA Unit Trust Management Berhad
- Shariah Advisor, I-Free Capital Pte Ltd (Singapore)
- Shariah Advisor, Bumiputra Commerce Trustee Sdn. Bhd.
- Shariah Advisor, Perbadanan Usahawan Nasional Berhad
- Member, Shariah Working Committee for Islamic Banking and Takaful, Bank Negara Malaysia
- Member, Islamic Education Coordination Advisory Council, Council of Rulers Malaysia
- Deputy Director, Research and Development, Academy of Islamic Studies, University of Malaya
- Head, Department of Shariah and Law, Academy of Islamic Studies, University of Malaya

Directorship of Other Public Companies:

Nil

Membership of Committees in Subsidiaries:

Nil

Meeting Attendance:

8/8

Declaration of Interest:

He has no conviction for offences within the past 5 years. He also has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

2

PROFESSOR DR. MUHAMAD RAHIMI OSMAN

Chairman, Shariah Advisory Body,
Syarikat Takaful Malaysia Keluarga Berhad



Date of Appointment:

1 January 2017 (member since 12 January 2010)

Qualifications:

- Doctor of Philosophy (PhD) in Law (Islamic Banking), International Islamic University Malaysia
- Masters in Islamic Economics, University of Yarmouk, Jordan
- Bachelor of Shariah (Hons), University of Malaya

Areas of Expertise:

- Islamic Commercial Laws (Fiqh Al-Muamalat)
- Islamic Economics
- Islamic Banking and Takaful
- Islamic Capital Market

Working Experience:

Present:

- Professor, Arshad Ayub Graduate Business School, Universiti Teknologi MARA ("UiTM")
- Chairman, Shariah Committee, Coopbank Pertama ("CBP")
- Member, Shariah Committee, Alliance Islamic Bank Berhad ("AIS")
- Member, Shariah Committee, Amanah Saham Darul Iman ("ASDI")
- Shariah Advisor, Islamic Stockbroking Services, Alliance Investment Bank Berhad ("AIBB")
- Associate Fellow, Malaysia Transport Institute ("MITRANS"), Universiti Teknologi MARA ("UiTM")
- Member, Association of Shariah Advisors in Islamic Finance ("ASAS")
- Member, Majlis Dakwah Negara ("MDN")
- Several other committees inside and outside the University

Previous:

- Chairman, Dean Council of Islamic Studies, Higher Learning Institutions of Malaysia
- Dean, Academy of Contemporary Islamic Studies ("ACIS"), UiTM Shah Alam
- Director, Centre for Islamic Thought and Understanding, UiTM Shah Alam
- Director, Zakat Research Institute of Malaysia ("IKaZ") UiTM Shah Alam
- Member, Shariah Committee, Hong Leong Islamic Bank ("HLIB")
- Member, Shariah Committee, Hong Leong Tokyo Marine Takaful ("HLTMT")
- Member, Curriculum Review Committee for Muamalat, Takaful, Islamic Banking and Finance of the Ministry of Higher Education Malaysia
- Member, Islamic Non-Government Organisation ("NGO-i"), Majlis Agama Islam Selangor ("MAIS")

Directorship of Other Public Companies:

Nil

Membership of Committees in Subsidiaries:

Nil

Meeting Attendance:

6/6

Declaration of Interest:

He has no conviction for offences within the past 5 years. He also has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

3

PROFESSOR EMERITUS DATO' PADUKA DR. MAHMOOD ZUHDI HAJI ABDUL MAJID

Chairman, Shariah Advisory Committee,
BIMB Securities Sdn. Bhd.



Date of Appointment:

01 September 2016 (member since June 2008)

Qualifications:

- Doctor of Philosophy (PhD) in Shariah, University of Malaya
- Master of Philosophy (M Phil) in Southeast Asian Studies, University of Kent, England
- Master of Arts in Shariah, University Al-Azhar, Cairo
- Diploma in Education, University Ain Shams, Cairo
- Bachelor of Shariah & Law, Islamic Centre for Higher Studies

Areas of Expertise:

- History of Islamic Law
- Principles of Islamic Jurisprudence
- Administration of Islamic Criminal Law

Working Experience:

Present:

- Professor Emeritus, Academy of Islamic Studies, University of Malaya
- Chairman, Shariah Advisory Committee, BIMB Securities Sdn. Bhd.
- Chairman, Shariah Committee, AIA Public Takaful Berhad
- Chairman, Majlis Dakwah Negara ("MDN")
- Member (Non Independent Non-Executive Director), Board of Directors, Public Islamic Bank Berhad
- Member, Shariah Advisory Board of As-Salihin Trustee
- Approved Individual Shariah Advisor (by the Securities Commission Malaysia)
- Member, Shariah Advisory Panel, Amanah Saham Nasional Berhad
- Shariah Advisor of I Synergy Group Limited
- Shariah Advisor of GA SkyLight Berhad
- Member, Board of Directors, Universiti Islam Malaysia
- Member, Board of Trustees, Kolej Islam Malaya
- Member, Shariah Committee SIRIM Berhad

Previous:

- Dean, Faculty of Shariah, University of Malaya
- Director, Academy of Islamic Studies, University of Malaya
- Professor, Department of Fiqh and Usul, University of Malaya

- Professor and Dean, Kuliyyah of Islamic Revealed Knowledge and Human Sciences, International Islamic University Malaysia
- Dean, International Institute of Islamic Thought and Civilisation ("ISTAC"), International Islamic University Malaysia
- Commissioner, The Human Rights Commission of Malaysia ("SUHAKAM")
- Member, Jemaah Ulama Negeri Kelantan, Majlis Agama Islam dan Adat Istiadat Melayu Kelantan
- Panel Member, Shariah Court of Appeal Kelantan
- Board Member, Dewan Bahasa and Pustaka
- Board Member, Pemegang Amanah Yayasan Pembangunan Ekonomi Islam Malaysia ("YaPEIM")
- Deputy Chairman, Lembaga Penasihat Penyelarasan Pelajaran dan Pendidikan Agama Islam ("LEPAI")
- Member, Board of Trustees, Yayasan Dakwah Islamiah Malaysia ("YADIM")
- Research Fellow, International Shari'ah Research Academy for Islamic Finance ("ISRA")
- Chairman, Shariah Committee, Public Islamic Bank Berhad ("PIBB")
- Chairman, Board of Directors, Universiti Pendidikan Sultan Idris ("UPSI")
- Member, Malaysian Institute of Integrity
- Consultant of Foreign Affairs, Al-Madinah International University ("MEDIU")
- Member, Shariah Committee, Amanah Mutul Berhad

Directorship of Other Public Companies:

Nil

Membership of Committees in Subsidiaries:

Nil

Meeting Attendance:

4/4

Declaration of Interest:

He has no conviction for offences within the past 5 years. He also has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

STEERING OPERATIONS



MOHD MUAZZAM MOHAMED

Chief Executive Officer

- BIMB Holdings Berhad
- Bank Islam Malaysia Berhad

47



Date of Appointment:

5 December 2018

Qualifications:

- Member, Chartered Institute of Islamic Finance Professionals ("CIIF")
- Member, Malaysian Institute of Accountants ("MIA")
- Member, Malaysian Institute of Certified Public Accountants ("MICPA")
- Member, Chartered Institute of Public Finance and Accountancy ("CIPFA")
- Bachelor of Accounting, International Islamic University Malaysia

Areas of Expertise:

Finance, Audit and Consulting

Working Experience:

Present:

- Chief Executive Officer, BIMB Holdings Berhad
- Chief Executive Officer, Bank Islam Malaysia Berhad

Previous:

- Chief Financial Officer, Bank Islam Malaysia Berhad
- Director, BIMB Securities Sdn. Bhd.
- Director, BIMB Securities (Holdings) Sdn. Bhd.
- Alternate Director, Amana Bank PLC (Sri Lanka)
- Director, Al-Wakalah Nominees (Tempatan) Sdn. Bhd.
- Partner, KPMG Malaysia
- Executive Director, KPMG Management Consulting

Directorship of Other Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any director and/or major shareholder of BHB, and has no conflict of interest in BHB.

STEERING OPERATIONS



DATO' SRI MOHAMED HASSAN KAMIL

Group Chief Executive Officer,
Syarikat Takaful Malaysia Keluarga Berhad



Date of Appointment:

- 1 April 2007 as the Group Managing Director
- 25 April 2017 re-designated as the Group Chief Executive Officer

Qualifications:

- Fellow, Society of Actuaries, USA
- Fellow, Actuarial Society of Malaysia
- Chartered Life Underwriter, American College, United States
- Master in Business Administration, University of Iowa, United States
- Bachelor of Science in Actuarial Science, University of Iowa, United States

Areas of Expertise:

Actuarial and Insurance/Takaful

Working Experience:

Present:

- Group Chief Executive Officer, Syarikat Takaful Malaysia Keluarga Berhad
- Chairman, Board of Commissioners, PT Asuransi Takaful Keluarga and PT Syarikat Takaful Indonesia

Previous:

- Deputy General Manager, PT AIA Indonesia
- Senior Vice President and Chief Actuary, ING Insurance Berhad
- Deputy General Manager, Malaysian National Insurance

Directorship of Other Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

KAMARUZAMAN ABDULLAH

Chief Executive Officer/Executive Director,
BIMB Securities Sdn. Bhd.



Date of Appointment:

16 January 2020

Qualifications:

- ACCA, Emile Woolf College, London

Areas of Expertise:

- Banking
- Audit & Accounting
- Research
- Fund Management
- Dealing in Equities

Working Experience:

Present:

- Executive Director/Chief Executive Officer,
BIMB Securities Sdn. Bhd.

Previous:

- Head, Equity Market Dealing, MIDF Amanah Investment Bank Berhad
- Head, Dealing, Maybank Investment Berhad
- Manager, Mayban Securities Sdn. Bhd.
- Fund Manager, Abrar Unit Trust Management Berhad
- Research Analyst, UMBC Securities (later known as Sime Securities)
- Assistant Accountant, Wayss & Freytag
- Corporate Banking Executive, Bank of Commerce (M) Berhad (now known as CIMB Bank)
- Internal Auditor, Mayban Finance Bhd

Directorship of Other Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years.
He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.



MANAGING OUR BUSINESS



1

AZIZAN ABD AZIZ

Group Chief Financial Officer



Date of Appointment:

27 May 2019

Qualifications:

- Bachelor of Accounting and Finance, University of Plymouth
- Fellow, Association of Chartered Certified Accountants ("ACCA")
- Member, Malaysian Institute of Accountants (Chartered Accountant)

Working Experience:

Present:

- Group Chief Financial Officer, BIMB Holdings Berhad
- Chief Financial Officer, Bank Islam Malaysia Berhad

Previous:

- Equity Partner, Deloitte Southeast Asia and heading the M&A Transaction Services practice for Deloitte Malaysia
- Executive Director, Financial Advisory Services, with KPMG Malaysia
- Senior Manager, Financial Services Division, KPMG United Kingdom and Channel Islands

Directorship of Other Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

2

MARIA MAT SAID

Group Company Secretary & Regulatory Compliance



Date of Appointment:

29 January 2009

Qualifications:

- Bachelor of Law, University of Malaya
- Licensed Company Secretary, Companies Commission of Malaysia

Working Experience:

Present:

- Group Company Secretary & Regulatory Compliance, BIMB Holdings Berhad
- Company Secretary/Head, Legal and Secretarial Division, Bank Islam Malaysia Berhad

Previous:

- Senior Vice President, Tahan Insurance Malaysia Berhad
- Senior Manager, Labuan Offshore Financial Services Authority
- Company Secretary/Legal Manager, Danamodal Nasional Berhad
- Legal Officer, Legal Department of Bank Negara Malaysia

Directorship of Other Public Companies:

Nil

Declaration of Interest:

She has no conviction for offences within the past 5 years. She has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

MANAGING OUR BUSINESS

3

ISKANDAR SHAH ZULKARNAIN

Chief Human Resources Officer



Date of Appointment:

14 October 2019

Qualifications:

- Masters in Business Administration, Universiti Utara Malaysia
- Bachelor of IT, Multimedia University, Malaysia

Working Experience:

Present:

- Head, Group Human Capital, BIMB Holdings Berhad
- Chief Human Resources Officer, Bank Islam Malaysia Berhad

Previous:

- Director of HR, Al Rajhi Bank Malaysia
- Head of HR, HSBC Amanah Malaysia
- Senior HR Relationship Manager, Maybank Malaysia
- HR Business Partner, Shell Malaysia
- Executive, International Ops, Telekom Malaysia

Directorship of Other Public Companies:

Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

4

WAN NORKHAIRI WAN SAMAD

Head, Group Corporate Communications



Date of Appointment:

11 May 2015

Qualifications:

- Degree in Mass Communications (Public Relations), Universiti Teknologi MARA

Working Experience:

Present:

- Head, Group Corporate Communications, BIMB Holdings Berhad
- Head, Corporate Communications, Bank Islam Malaysia Berhad

Previous:

- Senior Manager at Corporate Communications, Maybank Group

Directorship of Other Public Companies:

Nil

Declaration of Interest:

She has no conviction for offences within the past 5 years. She has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

5

MOHAMAD AZLAN MOHAMAD ALAM

Chief Operations Officer



Date of Retirement:

31 December 2020

Qualifications:

- Member, Chartered Associations of Certified Accountants ("ACCA")
- Chartered Accountants of Malaysian Institute of Accountants ("MIA")
- Member, Institute of Chartered Secretaries and Administration ("ICSA")
- Advanced Diploma in Accountancy, MARA Institute of Technology ("ITM")

Working Experience:

Present:

- Chief Operations Officer, BIMB Holdings Berhad

Previous:

- Chief Financial Officer, BIMB Holdings Berhad
- Chief Risk Officer, RHB Islamic Bank Berhad
- Chief Financial Officer, RHB Islamic Bank Berhad
- Vice President, Finance & Administration Islamic Banking Division, RHB Bank Berhad
- Financial Controller cum Company Secretary, Malaysian Issuing House Sdn. Bhd.
- Assistant Manager, Business Assurance, Coopers & Lybrand Malaysia

Directorship of Other Public Companies:

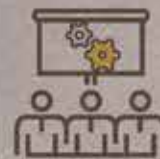
Nil

Declaration of Interest:

He has no conviction for offences within the past 5 years. He has no family relationship with any directors and major shareholders of BHB, and has no conflict of interest in BHB.

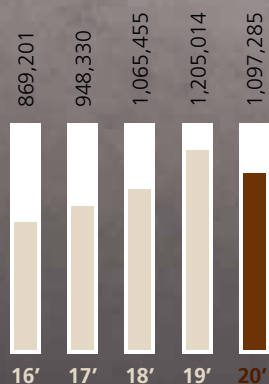


ACHIEVING A LEADING REPUTE

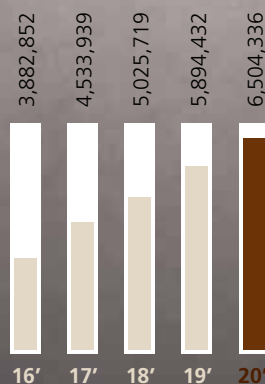


THROUGH STEADFAST COMMITMENT TO THE 5 KEY PRIORITIES OF RESPONSIBLE FINANCING, INCLUSIVE GROWTH, TALENT ENRICHMENT, ETHICAL PRACTICE & REPORTING AND ISLAMIC FRAMEWORK & KNOWLEDGE SHARING, BHB GREW IN FINANCIAL STRENGTH OVER THE YEARS, WHILE STAYING ANCHORED ON ISLAMIC VALUES AND MEETING SOCIETY'S NEEDS IN THE MOST SUSTAINABLE AND ETHICAL MANNER POSSIBLE.

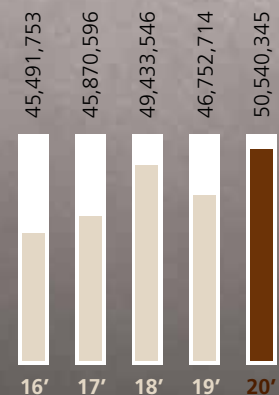
**PROFIT BEFORE ZAKAT AND TAX
(RM'000)**

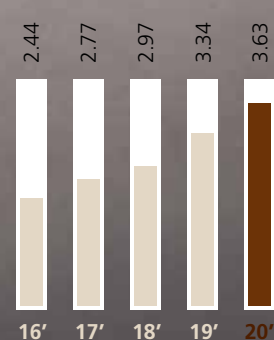


**SHAREHOLDERS' EQUITY
(RM'000)**



**DEPOSITS FROM CUSTOMERS
(RM'000)**





5-YEAR FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 December		2020	2019	2018	2017	2016
STATEMENT OF COMPREHENSIVE INCOME						
Revenue	RM'000	4,980,109	5,381,646	4,516,773	3,721,598	3,528,198
Profit Before Zakat and Tax ("PBZT")	RM'000	1,097,285	1,205,014	1,065,455	948,330	869,201
Profit After Zakat and Tax ("PAZT")	RM'000	867,901	935,369	801,421	703,630	629,664
Net Profit Attributable to Owners of The Company	RM'000	720,247	786,920	682,055	619,838	559,040
STATEMENT OF FINANCIAL POSITION						
Share Capital	RM'000	4,412,261	4,307,819	4,082,939	3,875,270	1,588,680
Shareholders' Equity	RM'000	6,504,336	5,894,432	5,025,719	4,533,939	3,882,852
Deposits from Customers	RM'000	50,540,345	46,752,714	49,433,546	45,870,596	45,491,753
Takaful Liabilities	RM'000	9,705,865	8,684,207	7,438,855	6,962,313	6,639,096
Financing, Advances and Others	RM'000	54,670,635	49,472,522	45,680,680	42,113,420	39,189,274
Investment Securities	RM'000	20,389,777	18,441,379	17,089,720	14,621,392	15,164,085
Total Assets	RM'000	85,909,901	77,263,493	72,388,541	65,784,634	63,145,127
PER SHARE DATA						
Earnings Per Share	sen	40.21	44.75	40.36	37.94	35.25
Net Assets Per Share	RM	3.63	3.34	2.97	2.77	2.44
FINANCIAL POSITION STRENGTH						
Financing to Available Fund Ratio	%	79.13	79.61	77.48	80.48	76.62
Gross Impaired Financing Ratio*	%	0.67	0.86	0.92	0.93	0.98
Net Impaired Financing Ratio**	%	(1.01)	(0.64)	(0.80)	(0.41)	(0.75)
EFFICIENCY***						
Return on Equity	%	12.79	15.70	15.39	15.40	15.91
Return on Assets	%	1.06	1.25	1.16	1.09	1.05
DIVIDENDS						
Gross Dividend Per Share	sen	12.60	16.00	15.50	14.00	13.00
VALUATION						
Price Earnings Ratio	times	10.59	9.83	8.82	11.60	11.97
Market Capitalisation	RM'000	7,636,748	7,762,845	6,029,095	7,206,060	6,704,230

Notes:

* Gross Impaired Financing Ratio = Gross Impaired Financing and Advances/Gross Financing and Advances

** Net Impaired Financing Ratio = (Gross Impaired Financing and Advances – Impairment Allowances)/(Gross Financing and Advances – Impaired Allowances)

*** Efficiency ratios are derived based on Profit After Zakat and Tax

2020 FINANCIAL CALENDAR

**VENUE**

FULLY VIRTUAL
@ Broadcast Venue
Level 31
Menara Bank Islam
22, Jalan Perak
50450 Kuala Lumpur

**DATE/TIME**

2 June 2021 (Wednesday)
10.00 a.m

ANALYSTS BRIEFING**1 MARCH 2021**

Announcement of FY2020
Financial Results

27 AUGUST 2020

Announcement of 1H2020
Financial Results

FINANCIAL REPORT ANNOUNCEMENTS**26 FEBRUARY 2021**

Quarterly report on consolidated results
for the financial period ended 31 December 2020

30 NOVEMBER 2020

Quarterly report on consolidated results
for the financial period ended 30 September 2020

27 AUGUST 2020

Quarterly report on consolidated results
for the financial period ended 30 June 2020

28 MAY 2020

Quarterly report on consolidated results
for the financial period ended 31 March 2020

MANAGEMENT DISCUSSION & ANALYSIS

MARKET REVIEW

FROM STRENGTH TO STRENGTH

The year 2020 has been termed 'the year like no other' since the last world war.

The financial sector operated under an unprecedented backdrop that required liquidity buffers, alignment to government policies and responsiveness in providing economic support for Malaysians. Despite the challenging environment, BIMB Holdings Berhad ("BHB" or "the Group") delivered a commendable performance buoyed by strong growth from the Takaful sector.

A Year of Global Recession

The COVID-19 pandemic continued to spread through the year 2020 creating uncertainties and prolonged economic disruptions due to the need for lockdowns to contain the virus spread. During the great lockdown in April 2020, the global economy plunged to unexpected depths for the first half of the year and its long ascent back to pre-pandemic levels of activity remains prone to setbacks.

According to IMF's most recent World Economic Outlook report in January 2021, global gross domestic product ("GDP") is projected at -3.5% in 2020 (2019: 2.8%)¹. The negative growth is due to unfavourable performance in both the advanced economies and the emerging market and developing economies ("EMDEs"), mainly due to the adverse impact of the COVID-19 pandemic as well as geopolitical tensions caused by trade war, Brexit uncertainties, and rising unemployment.

Global growth is projected at 5.5% in anticipation of the vaccine roll-out by the first half of 2021. This is key in restoring trade as well as consumer and investor confidence. Global trade is projected to turn around by 8.3% in 2021 as economic activities are most likely to gain momentum through the year should the vaccine roll-out implementation meet expectations. However, this is tempered by mindfulness of downside risks with the on-going uncertainties surrounding the pandemic globally and domestically.

Malaysia's Biggest GDP Contraction since 1998

Malaysia's economy experienced its worst recession since 1998 with GDP plunging by 5.6%² for the full year due to repeated waves of COVID-19 infections that hit the nation. This is the biggest contraction since the 1998 Asian Financial Crisis.

The economy was almost entirely shut down between March and June 2020 - causing GDP to contract by 17.1% in the second quarter. This was followed by a short period of recovery before a resurgence in infections between October and December last year, when much of the country came under renewed restrictions, including travel curbs, as the government scrambled to deal with a third wave of COVID-19 infections. The one-month re-opening of the economy at the end of the year caused another surge in cases, leading to a partial lockdown being instituted in mid-January 2021 that was prolonged into March. Since then, Malaysia has also been under a seven-month state of emergency to deal with the pandemic.

The unemployment rate stood at 4.8% at the end of 2020 after surpassing 5% in the middle of the year, the highest rate in three decades. To cushion the effect on the lower income groups and the industries most exposed to the sudden drop in GDP growth, in 2020 the government launched economic stimulus packages worth roughly RM305 billion. The assistance are in the form of cash transfers, wage subsidies, deferment in financing repayments, targeted EPF withdrawal schemes and reduction in member's contribution rate alongside with tax breaks and reliefs, as well as employment measures especially in respect to job matching and reskilling.

Following the peak of uncertainty in March, Malaysia has seen rising foreign holdings in its government bonds, demonstrating investors' confidence in the Malaysian economy and its government. Furthermore, the Bank Negara Malaysia ("BNM") has been proactively managing the economy via monetary policy accommodation with a total of 125 basis points cut in

the Overnight Policy Rate ("OPR"). The Malaysia's central bank has also significantly injected the amount of liquidity through the reduction in Statutory Reserve Requirement ("SRR") during the year. Nevertheless, in December 2020 the rating agency Fitch downgraded Malaysia's sovereign rating by one notch to 'BBB+', citing the substantial impact of the COVID-19 crisis on the country's economy, despite the government's swift and significant relief measures³.

¹ IMF's World Economic Report Update January 2021

² World Health Organisation ("WHO"), 10 January 2021

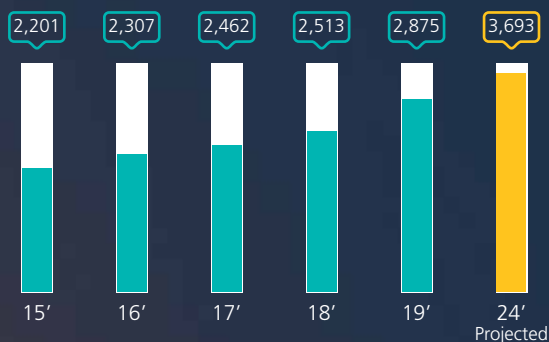
³ Ministry of Finance Malaysia, Media Statement, Commentary on Q3, 2020 GDP Growth, 13 November 2020

2019 - 2020 Highlights

Islamic Finance Assets by Region 2019 (US\$ Billion)



Islamic Finance Assets Growth 2012 - 2019 (US\$ Billion)



Distribution of Global Islamic Finance Assets 2019 (US\$ Billion)

	Size (US\$ Billion)	Share of Islamic Finance Assets	Number of Institutions/ Instruments	Number of Countries Involved
Islamic Banking	1,993	69%	526	74
Sukuk	538	19%	3,420	25
Other IFIs	153	5%	645	54
Islamic Funds	140	5%	1,749	629
Takaful	51	2%	336	47



MANAGEMENT DISCUSSION & ANALYSIS



Malaysia's Islamic finance industry (As at 30 June 2020)

Share of total banking assets
(including DFIs)

33.3%

Islamic financing share of market

39.9%

Takaful industry growth

0.97%

2020 Total Issuance

Malaysian Government
Securities ("MGS") rose to

RM76.7 billion

Foreign Holdings

40.6%

Islamic-based Malaysian
Government Investment
Issues ("MGII") expanded to

RM80.6 billion

Foreign Holdings

6.6%

Malaysia's Banking Sector was Resilient

The Malaysian banking sector performance was subdued in 2020 but continued to generate respectable profit. Malaysian banks remained resilient with sufficient capital buffers, while the bond markets, which have been doing well, continued to provide some support to their earnings following the actual gains in the marketable securities such as bonds and Sukuk.

Two major impacts to the banking industry were the introduction of a national moratorium on loan repayments by financial institutions and BNM's reduction of Overnight Policy Rates ("OPR") by a cumulative amount of 125 basis from 3.00% to 1.75%, the lowest level since 2004. These were to help Malaysians tide through economic shutdowns, ease the debt service of borrowers and support financing activities to sustain economic stability.

BNM also announced a reduction in the Statutory Reserve Requirement ("SRR") ratio of 100 basis points to 2% in March 2020⁴, as well as additional SRR flexibility given to Principal Dealers by recognising MGS and MGII as part of SRR compliance. This move added liquidity worth about RM30 billion to the banking system and it is part of BNM's on-going efforts to ensure that liquidity is sufficient to support financial intermediation activities.

The banking sector is set to rebound firmly with estimated net profit growth of about 20% in 2021, according to analysts, as the sector would be a direct beneficiary of the country's expected economic recovery backed by the potential availability of the COVID-19 vaccines by September 2021.

However, moving forward downside risks to the earnings projections for the local banking sector would come from modification losses for the financial year ("FY") 2020. The value of the moratorium on loan repayments which was in effect from 1 April to 30 September 2020 stood at RM78.14 billion as at 21 August 2020. Although banks did not need to set aside provisions for loans that come under the relief measures in 2020, impairment charges may be pushed out to 2021 if borrowers' weaknesses stretch beyond short-term cashflow issues.

Revenue growth is expected to remain subdued at 3.1%⁵ in 2021, with net interest margin ("NIM") expected to remain flattish after narrowing by around 15 basis points in 2020. On the other hand, banks' investment portfolios could potentially reap healthy trading gains from the likelihood of further downtrend of bond yields forecasted for the second quarter.

Malaysia on Track of 40% Islamic Financing Target

Malaysia's Islamic finance penetration rate has grown steadily over the years and looks on track to reach BNM's target of 40% share of total financing by the end of 2020⁶, notwithstanding the disruptions from the COVID-19 pandemic.

There are currently 16 Islamic banks in Malaysia, of which five are foreign. Though the Islamic finance industry's share of total banking assets (including that of development financial institutions) fell slightly to 33.3% in the first half of 2020 from 33.5% in the second half of 2019; Islamic financing growth continues to outpace that of conventional loans in Malaysia. Islamic financing, as a percentage of the entire banking system's financing stood at 39.9% as at 30 June, according to preliminary data provided by BNM.

The growing acceptance of Islamic financial products and services among the population will likely be sustainable, due to the strong regulatory framework in place and an expanding Islamic finance ecosystem that includes Sukuk, takaful and Shariah-compliant funds. Another reason for the faster-growth in Islamic finance over the years is that more banks have adopted an Islamic-first strategy to always offer the Islamic product first – for certain products.

Malaysia's Insurance Sector was Responsive

Due to the impact of the pandemic and the MCO, insurance premiums were RM310 million lower than in 2019 with motor insurance, representing 47% of the market, recording its worst decline, dropping 7.4% year-on-year ("YoY").

However, despite the effect on top line and investment results, Malaysia's insurers expect to emerge stronger from the COVID-19 crisis. Risk awareness and management improved in light of the pandemic, policy wording and exposures tightened. Insurers were able to stress test their capital models and their business continuity planning as work from home norms were seamlessly implemented while operations and the service to agents and clients had to be maintained. Insurers thus hastened their investments into technology and digitisation – a benefit which strengthens the industry's long-term resilience.

BNM focused its attention on protecting and cushioning the impact of the pandemic on policyholders and assuring a smooth functioning of the industry, despite pressure on revenues and capital. While insurers had to stress test their models and assumptions, BNM adjusted its standard operating procedures to guide the industry on how to organise its operations during the Movement Control Order ("MCO"). As one of its key measures, BNM delayed the implementation of the third phase of the Motor and Fire De-tariffication. With regard to insurers' policyholders, it encouraged insurers to set-up a COVID-19 test fund to support the testing of policyholders.

Malaysia's Takaful Sector Maintained a Positive Outlook

Malaysia's Takaful industry grew 0.97% YoY during the first half of 2020, to reach RM286.2 billion in new Takaful protection value and RM3.19 billion in total new business contributions, for all certificates combined. These achievements were credited to proactive agents who embraced digital platforms and technology to creatively promote Takaful products and services in Malaysia as well as various initiatives taken by the country's Takaful sector to maintain a positive penetration momentum.

In-force protection value was RM1.02 trillion during January to June 2020, in comparison to RM0.96 trillion reported over the same period in 2019. The performance of the Family Takaful sector demonstrated its resilience, thereby allowing it to serve as a catalyst for growth. This growth was supported by greater acceptance of Takaful coverage amongst Malaysians, reflecting increased awareness with regards to Takaful as a choice for protection.

Meanwhile, total gross contribution in the General Takaful sector increased 0.6% YoY to reach RM1.64 billion in the first half of 2020.

⁴ www.themalaysianreserve.com/2020/09/08/malaysian-banks-record-subdued-performance-but-remain-resilient/

⁵ Bank Negara Malaysia in the statement issued following the conclusion of its Monetary Policy Committee's ("MPC") final meeting for 2020

⁶ BNM's Financial Stability Review ("FSR") for the first half of 2020

MANAGEMENT DISCUSSION & ANALYSIS

Malaysian Stock Market is on a Recovery Path

With the announcement of the MCO measures in early March 2020 the main index of the Malaysian stock exchange (FBM KLCI) fell by more than 20% within a few days and dropped to its lowest level in more than a decade. However, as the pandemic-related government measures were announced globally, stocks market started to show signs of recovery. By mid-July, shares were trading again at the pre-MCO level and by late November 2020 stocks exceeded their peak level as of end of 2019.

Although the index generally recovered, there were sharp differences between those shares that benefited from the crisis and those that suffered substantially. Among those ahead of the curve were healthcare stocks and technology shares as consumers turned online to solve their daily needs and energy shares following the government's announcement to support energy efficient home appliances. Those that were disproportionately affected by the crisis included stock in the tourism and aviation sectors, as well as consumer goods, as consumption is expected to contract along with the decline in GDP.

Gross funds raised in the Malaysian capital market rose 5.6% to RM261.4 billion during 2020 from a year earlier. This was mainly on account of higher issuance from public sector which increased to RM157.3 billion while funds raised by the private sector declined to RM104.1 billion. The latter's expansion was contributed by strong demand for government papers or bonds to support the various stimulus packages.

This was reflected by the high issuance of Malaysian Government Securities ("MGS") which rose to RM76.7 billion while the issuance of Islamic-based Malaysian Government Investment Issues ("MGII") expanded to RM80.6 billion. During the same period, foreign holdings of MGS and MGII were remain at elevated levels of 40.6% and 6.6% respectively at the end of 2020. Such an appetite by the foreign institutions suggest better conviction on Malaysia's government credit risks as well as deep and liquid bond markets.

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Islamic finance assets remain concentrated in the three leading markets of Iran, Saudi Arabia and Malaysia, which between them accounted for 66% of Islamic global assets in 2019. Malaysia still remains the world's biggest Sukuk market.

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US\$ **1,389**
Trillion Total Islamic
Finance Assets in
2019

14%
Annual Growth of
Islamic Finance Assets
in 2019

1,526
Total Islamic
Financial
Institutions

REVIEW OF THE ISLAMIC FINANCE INDUSTRY

The Islamic finance industry's assets grew by 14% in 2019 to US\$2.88 trillion, returning to its long-term pattern of strong growth after the slowdown in 2018, when the industry expanded by a more moderate 2%. The strong growth in 2019 was aided by large issuances of Sukuk in the traditional Islamic finance markets of Saudi Arabia, Malaysia, Iran, Qatar, Bahrain, and the UAE. There was a surge in Islamic banking assets, up by US\$248 billion on year, particularly in the largest Islamic markets such as Saudi Arabia and Iran. Islamic funds saw the fastest growth overall, with double-digit growth recorded in Malaysia, Indonesia, Iran, Saudi Arabia, Turkey, and Luxembourg. Islamic finance assets remain concentrated in the three leading markets – Iran, Saudi Arabia and Malaysia – which between them accounted for 66% of global assets in 2019. Malaysia still remains the world's biggest Sukuk market.



MOST DEVELOPED COUNTRIES IN ISLAMIC FINANCE

High IFDI Value

1



Malaysia

2



Indonesia

3



Bahrain

4



UAE

5



Saudi Arabia

Low IFDI Value

There remains a wide gap between Malaysia and other countries with a presence in Islamic finance in terms of Islamic finance development indicators ("IFDI") value. This is reflected in the country holding first place in three of the five main indicators (Quantitative Development, Knowledge, and Awareness) and being second in Governance. There are also wide gaps between Malaysia and the second-ranked countries in individual indicators, suggesting it could take years for others to catch up. There are much smaller gaps between the other countries in the top five, however, meaning some are capable of improving their rankings if they can show improvement in their lagging indicators.

Indonesia showed one of the most notable improvements in the IFDI country rankings, moving into second spot for the first time as its Knowledge and Awareness indicators were boosted by the country's large number of Islamic finance education providers and high numbers of research papers produced and Islamic finance-related events hosted. This reflects the on-going implementation of the Islamic Economic Masterplan 2019 – 2024 introduced by the government's National Shariah Economy and Finance Committee (KNEKS). Other notable improvers in the IFDI country rankings were Syria, the United States, South Africa and Thailand.

MANAGEMENT DISCUSSION & ANALYSIS



IMPACT OF COVID-19

The COVID-19 pandemic has affected aggregate demand, small and medium enterprises ("SMEs"), and low-income individuals particularly hard, and this will impact the performance of Islamic finance in 2020. Compared to conventional banking, Islamic finance has a larger exposure to SMEs, microfinance and retail lending, especially in Asia. With SMEs facing multiple financial issues, this will increase the quantum of non-performing financings and vulnerability of Islamic banks' portfolios.

Lower issuance of Islamic corporate bonds, or corporate Sukuk in Southeast Asia was recorded in 2020. In Malaysia, for instance, the large increase in government Sukuk during the period did not quite fully offset the weakness on the private issuance side. After four years of consecutive growth, global issuance of Sukuk is predicted to decline by a modest 5% in 2020 to register an estimated Sukuk issuance size of US\$170 billion this year, down from US\$179 billion in 2019.

On the bright side, banks entered the pandemic crisis with much stronger liquidity than in 2007 – 2008, and because of this, as well as substantial external liquidity support from central banks and robust government incentives, it is unexpected that there will be broad confidence issues in banking systems. Extraordinary measures including a range of regulatory and supervisory responses have been rolled out by Islamic finance jurisdictions to preserve resilience of relevant financial systems and the continued provision of financial services to the real economy. These include payment moratorium and Shariah-compliant government guarantees on bank exposures to certain sectors in receipt of Islamic financing.

To ensure Shariah compliance, the Islamic Financial Services Board ("IFSB") has had to issue public statements and provide technical guidance related to the extraordinary measures when calculating the capital requirements of institutions offering Islamic financial services. This is in line with treatments prescribed by the International Accounting Standards Board ("IASB"), the Basel Committee on Banking Supervision ("BCBS") and the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). In any case, Islamic banks should have adequate buffers for loss absorption to meet near-term challenges, but risks to asset quality and profitability are envisaged should the COVID-19 outbreak be prolonged.

OPPORTUNITIES & TRENDS

The COVID-19 crisis is undoubtedly an opportunity for financial intermediaries to transform themselves and improve their long-term positions. The crisis is shifting the dynamics in the industry and has put in motion new opportunities for Islamic finance markets by accelerating trends such as digitalisation, socially responsible investing and commitment to sustainability.

Digital Acceleration is Creating a Nimbler Industry

The global lockdown has forced customers to only use digital channels for their day-to-day banking needs, and this has presented digital banks with the opportunity to expand their business while many traditional banks have scrambled to develop their own digital services. Islamic banks can take this opportunity to implement aggressive and permanent measures to transform business models in order to offer clients a full digital experience.

The pandemic has also been a game changer in that several Islamic financial institutions have moved to offer their products via digital platforms so as to better serve their locked-down customers, thereby speeding the advance of technology within Islamic finance. Although Islamic fintech had already been making headlines in recent years, digital-based financial institutions have become much more popular during the pandemic, just as digital solutions have leapt ahead in other economic sectors around the world. For Islamic banks and Sukuk, higher digitalisation and fintech collaboration is strengthening their resilience in a more volatile environment and opening new avenues for growth.

Demonstrating both technology and the rise in social finance, a new insurance technology, or InsurTech, development in Malaysia uses blockchain to channel waqf funds towards making takaful more affordable to lower income consumers. Sovereigns such as Malaysia also issued first digital Sukuk through online channels such as mobile platforms while Indonesia also issued retail Sukuk that can be subscribed through online channels to appeal to the young generation.

Digital-based Islamic financial institutions other than banks and takaful operators are also accelerating the evolution of the industry in Africa and Southeast Asia, including Islamic wealth management services targeting the millennial investor.

The online transformation of the industry is not limited to its institutions, but to its surrounding ecosystem as well. Islamic finance education is being increasingly offered online or through distance learning as the COVID pandemic makes it harder for students to attend classes, while events such as conferences and seminars are also being hosted increasingly online. These developments also make it easier for students or industry stakeholders from other countries to take online courses or attend Islamic finance events, which will help the industry to grow further and wider in the future.



MANAGEMENT DISCUSSION & ANALYSIS

Emergence of Challenger Banks

Shariah-compliant challenger, or digital-only, banks have begun to emerge, particularly in the UK, posing a threat to traditional Islamic banks in their non-core markets. These new banks offer a lifestyle-focused banking experience for more than 3 million Muslims residents in the UK. Two Shariah-compliant challenger banks were launched in the UK early in 2020 – Rizq and the mobile-only Niyah. Four more digital banks are currently in the pipeline, based in the UK, Malaysia and Kenya. Halal robo-advisory Wahed Invest and the newly launched gold trading platform Minted have also announced plans to establish Shariah compliant digital banks as soon as the first quarter of 2021. However, these would be deposit taking-only operations supplementing their core investment businesses, with no plans to provide loans in the future.

Similarly, the Saudi Arabian Monetary Authority (“SAMA”) issued licensing guidelines for digital-only banks early in 2020, including conditions that they should be set up as locally incorporated joint-stock companies and maintain a physical presence in the kingdom. It has been reported that two entities have applied for a digital banking license with the regulator. The only bank to date with a digital presence in Saudi Arabia is Meem, the Islamic banking arm of Gulf International Bank, which mainly operates online while leveraging its physical presence.

In Malaysia, BNM issued on 31 December 2020 the much anticipated digital banking framework, joining a growing number of countries in Asia who are each introducing their own version of a digital banking framework.

Further Innovation in the Islamic Capital Markets

The pandemic has served as an impetus for instruments specifically ring-fenced to mitigate the health and economic impact of the coronavirus and aid recovery. To this end, issuance by the Islamic Development Bank (“IsDB”) of sustainability Sukuk to tackle the effects of the pandemic in its member countries has set a stellar example. The proceeds will be exclusively deployed by IsDB towards social projects under its Sustainable Finance Framework, with a focus on ‘access to essential services’ and ‘SME financing and employment generation’ categories under the umbrellas of ‘UNSDG-3: Good Health and Well-Being’ and ‘UNSDG-8: Decent Work and Economic Growth’ for its 57-member countries.

There is also an opportunity for the reemergence of certain strong Islamic instruments, such as zakat and waqf, which could once again play a role in reducing the impact on the most vulnerable segments of the population or on poor countries. This would not only be in line with the ultimate goals of Shariah but also create a new growth channel for the industry.



Demand is growing for ESG-related investment assets such as green bonds and there is a high degree of complementarity between Islamic and ESG investing. This is making Islamic financial products increasingly attractive to investors who are not Muslim. Malaysia is a leading presence in both Islamic funds and ESG investment and has seen several initiatives in this space.

More Shariah-ESG funds are likely to be launched in coming years, in line with growing issuance of green and sustainable Sukuk. In addition, the global economic slowdown caused by COVID-19 will lead to greater numbers of social instruments being launched by Islamic financial institutions to tackle issues such as mass unemployment. The pandemic could be a turning point for the asset management industry as many businesses are betting on sustainability to tackle the challenges it is presenting.



BIMB Investment Management Bhd (“BIMB Investment”) launched its Global Shariah-ESG Equity fund for retail investors in October 2019.

BIMB Investment also in April 2020 launched its BEST Invest robo-intelligence app to help investors build their portfolios, offering a range of Islamic and sustainable unit trust funds.



Growing Impact of Sustainability and Environmental, Social and Governance ("ESG")

The pandemic has put significant emphasis on the role of stress-testing within risk management. Stress testing should form an integral part of the overall. The COVID-19 outbreak has prompted financial institutions across the globe to pay greater attention to ESG risks in order to build greater resilience in their business operations and supply chains, and we believe that Islamic finance markets will see a similar trend as well.

Sustainability has become a more important consideration during the pandemic, and new product launches reflect this, such as ESG-based Islamic investments targeting social issues such as mass unemployment. The goals or objectives (maqasid) of Shariah share some links with ESG considerations and the broader aim of sustainable finance. For example, Islamic finance's goal to protect life aligns with sustainable finance principles, which emphasise environmental and social protection. Green Sukuk is an example of instruments that could be used to finance environmentally friendly projects.

These products could make a difference when it comes to socially responsible financing that can contribute to shared prosperity and provide growth that is more inclusive.

Sources;

- Refinitiv & ICD 2020 Report
- S&P Global Ratings : Global Islamic finance industry will continue to expand slowly in 2019-2020
- Morgan Stanley Institute for Sustainable Investing: Sustainable Signals - The Individual Investor Perspective

These are:

Qard Hassan - This instrument could provide cost-free breathing space until the environment stabilises. One example is when some central banks opened free liquidity lines for financial institutions to provide subsidised lending to their corporate and small and midsize enterprise clients.

Social Sukuk - These instruments could help support the education and health care systems amid the current slump and attract environmental, social, and governance ("ESG") investors (those investing for social reasons) and/or Islamic investors (those looking for Shariah-compliant investments).

Green Sukuk - This could rise given the growing focus on environment, social and governance issues globally. Green Sukuk issuance last year was small, at only around US\$4.5 billion.

Waqf - This could help provide affordable housing solutions or access to health care and education for people that might have lost a portion of their income.

Zakat - This could help compensate for lost household income because of COVID-19.

These instruments and the additional layer of governance Islamic banks and instruments are subject to, could help put the industry more prominently on ESG investors' radar.

MANAGEMENT DISCUSSION & ANALYSIS

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In dark times, light shines brightest. The benefits of BHB's commitment to sustainable growth and holistic value delivery to all stakeholders illuminated the way forward in 2020's environment of unprecedented challenges.

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MOHD MUAZZAM MOHAMED

Chief Executive Officer
BIMB Holdings Berhad
Bank Islam Malaysia Berhad

BUSINESS REVIEW

As the world grappled with the economic outcome of COVID-19, BIMB Holdings Berhad ("BHB" or "the Group") social and financial mission accelerated due to the urgent need for exploring all possible options to mitigate the pandemic's impact to society and the nation's economy as a whole. The true potential of Islamic finance principles in bolstering resilience, supporting livelihoods and strengthening unity were unleashed as the Group focused on driving socially responsible business practices while providing assistance to stakeholders in their time of need and ensuring the health and safety of our people.

Corresponding to the Government's directives and guidelines set by the Ministry of Health ("MOH"), all subsidiaries within the Group have taken precautionary measures to safeguard the wellbeing of our customers, employees and other stakeholders against the COVID-19 virus. A total expenditure of RM3.95 million was devoted to purchasing necessary equipment and sanitisers for new norm protocols in 2020 and a further expenditure of RM4.26 million has been budgeted for similar expenses in 2021. All three subsidiaries, Bank Islam Malaysia Berhad ("Bank Islam" or "the Bank"), Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia"), and BIMB Securities Sdn. Bhd. ("BIMB Securities"), have established robust protocols and awareness management, implemented flexible work arrangements, quarantine measures, regular sanitisation works and enforced new norms for employees, customers and other visitors.

Supporting the nation's fight against COVID-19, the BHB Group contributed a total of RM2.5 million in FY2020, in support of various humanitarian and medical-related causes in combating the COVID-19 pandemic. BHB contributed RM1 million to the #MusaadahCOVID-19 Fund, a fundraising programme to provide relief to Muslim and non-Muslim frontliners battling the outbreak.

Bank Islam made contributions totalling RM600,000 to provide financial assistance to micro-entrepreneurs whose businesses were severely affected by the pandemic; for the Direct Relief Support Programme which supplied food and necessities to charitable organisations and frontline communities; and funded the purchase of necessities and essential needs for hospitals nationwide.

Takaful Malaysia contributed a sum of RM500,000 towards The Edge COVID-19 Equipment and Health Care Workers Support Funds organised by The Edge Media towards purchase of medical equipment and provision of financial assistance to healthcare workers who were infected whilst caring for COVID-19 patients. Further contributions towards similar aid was provided in the form of a RM250,000 donation to the Media Prima-NSTP Humanitarian Fund, RM100,000 aid towards the Star Foundation-Medical Fund in support of the Star Frontliners Initiative, and RM50,000 towards the COVID-19 Fund organised by the Ministry of Health ("MOH"). The donations collected via the funds are being utilised for the purchase of medical necessities to ease the shortage of medical supplies faced by the designated government hospitals in providing screening and treatment for COVID-19 patients and frontliners who work tirelessly during these trying times for the safety of the communities.

Following the third wave of COVID-19 that hit the country, Bank Islam's Sadaqa House organised the #KitaBantuKita Campaign from 25 November 2020 to 31 January 2021 to raise funds from the public to help ease the burden of those who are affected. The campaign provided easy channels for public contributions and matched every contribution on a one to one basis up to a maximum of RM500,000.

Takaful Malaysia participated in the COVID-19 Test Fund ("CTF"), an insurance and takaful industry initiative in support of MOH's efforts to conduct more COVID-19 tests for Malaysians. In collaboration with Taylor's Community, a consolidated Corporate Social Responsibility ("CSR") platform for Taylor's Education Group, a joint community-based project was initiated to help B40 families who faced challenges in making ends meet during the government imposed Movement Control Order ("MCO").

Other initiatives towards enhancing a sustainable business ecosystem during the year under review were in line with BHB's five key priorities of **Responsible Finance, Inclusive Growth, Talent Enrichment, Ethical Practice & Reporting** and **Islamic Finance & Knowledge-Sharing**, which firmly anchor our subsidiaries' strategies.

GROUP PBZT WAS

8.9%

LOWER AT **RM1.1 billion**

NET RETURN ON EQUITY
("ROE") WAS

12.8%



BANK ISLAM PBZT

RM728.2 million

NET FINANCING GROWTH OF

10.5%

TAKAFUL MALAYSIA PBZT

RM426.8 million

BIMB SECURITIES LBZT

RM2.3 million

MANAGEMENT DISCUSSION & ANALYSIS



RESPONSIBLE FINANCE

Results impacted by pandemic measures

BHB posted a Group Profit Before Zakat and Tax ("PBZT") of **RM1.1 billion** for the financial year ended 31 December 2020 ("FY2020"). The impact of lower net financing income arising from multiple downward revisions of the Overnight Policy Rate ("OPR"), the recognition of modification loss due to moratorium exercise and targeted assistance programme and pre-emptive impairment provision in consideration of the challenging economic environment caused the Group PBZT to be RM107.7 million lower than the same period in 2019. Net profit declined RM67.5 million to RM867.9 million, however the Group's after-tax Return on Equity ("ROE") remained healthy at 12.8%, while earnings per share valued at 40.21sen. Group net assets per share improved to RM3.63 as of 31 December 2020, compared to RM3.34 as of 31 December 2019.

Notwithstanding the reduction in revenue and profits, the Group was steadfast and proactive as a responsible corporate citizen in implementing government mandated supportive measures, providing aid to the communities in need, and innovating new products and services to meet new needs through our main subsidiaries. Throughout the period, we continue to communicate important information and measures related to public safety and operations via targeted communiques to customers and business partners. The information was also made available on the respective subsidiaries' corporate websites, online portals and social media platforms. Our customers and business partners continued to enjoy uninterrupted access to our selected essential services during the phased lockdowns.

Easing financial burdens of customers

During the year, the Bank and Takaful Malaysia were among the first to announce and implement loan moratoriums, repayment assistance and premium payment deferments for customers and businesses who were economically affected by COVID-19 or the MCO regulations. These initiatives were part of the Group's efforts to protect our customers' financial security during this exceptional time.

The Bank has assisted more than 350,000 individuals and businesses impacted by the COVID-19 pandemic through financial relief assistance with financing amount outstanding of approximately RM37.9 billion, from 1 April to 31 December 2020. The targeted repayment assistance for those who have lost their employment or have a reduced monthly income, has been extended to 30 June 2021 and communication with parties are on-going to determine the best assistance going forward.

Takaful customers were offered a COVID-19 Relief Programme that provided a deferment period of three months to pay the regular premiums of their life insurance policies or Family Takaful certificates. Family Takaful participants with difficulties meeting their regular contributions were provided alternatives to either discuss their repayment options, choose to reduce their sum covered or remove some add-on riders to reduce their regular contribution amounts. Instalment plans were offered to selected General Takaful corporate clients to alleviate the financial burdens of those who faced short-term financial liquidity issues.

“ The Group fosters responsible environmental protection to reduce the impact of our business operations on the environment, as well as tactically integrate sustainability into our subsidiaries' business operations in an economically, environmentally, and socially sustainable manner. ”

Championing Green Technology and ESG

The sustainable approach of responsible finance also serves as a catalyst for the BHB Group to adopt sustainable business practices and revolutionise into a climate-friendly industry player dedicated to meeting the needs of its stakeholders by taking proactive measures to preserve the environment for future generations. The Group fosters responsible environmental protection to reduce the impact of our business operations on the environment, as well as tactically integrate sustainability into our subsidiaries' business operations in an economically, environmentally, and socially sustainable manner.

Bank Islam continued to build a reputation as a Green Finance specialist with its focus on Green Financing and management of ESG-based Sukuk. The Bank achieved a total green financing portfolio of over RM2.2 billion, with RM1.3 billion for renewable energy and RM0.9 billion for other green financing initiatives. On the Sukuk front, it secured Joint Lead Manager ("JLM") role for Air Selangor's RM1.1 billion Sukuk upsizing exercise, and was appointed Joint Lead Arranger/Manager or Solar Arranger for ESG Sukuk by securing a mandate from a State water operator for a proposed RM10 billion Sukuk programme; a mini hydro operator for a proposed RM850 million Sukuk programme; a solar farm mandate, and for the education sector.

Under its subsidiary BIMB Investment Management Berhad ("BIMB Invest"), the Bank's ESG Sukuk Fund exceeded its benchmark target of 5% to deliver a 6% income distribution yield in December 2020. The Fund combines both Shariah-compliant principles and Environmental, Social, and Governance ("ESG") factors in its selection criteria, and is assessed on their performance on the normative principles of the United Nations Global Compact ("UNGC"), such as Human rights, Labour rights, Environment and Anti-Corruption. ESG as well as UNGC scores were also implemented as criteria for corporate financing and funds during the year towards encouraging businesses to adopt ESG initiatives as well as sustainable and socially responsible policies, and to report on their implementation.

Responsible investing is fully entrenched in Takaful Malaysia's investment policy. An "Impact Investment" approach has been incorporated to provide a positive impact on society as a whole and to increase brand value towards ensuring social and environmental sustainability. Through the implementation of the "Impact Investment" approach, an assessment of the investment opportunities is performed by taking into account the social and environmental effects and utilisation of ESG data in investment decision-making. The FTSE4Good Bursa Malaysia Index ("F4GBM") is adopted in this assessment, together with KLCI and Shariah Emas Index and investment in Green Sukuk/Bond issued under the Socially Responsible Investment ("SRI") framework.

An innovative green focused highlight in 2020 was the launch of a personal financing by Bank Islam, in collaboration with Tenaga Nasional Berhad ("TNB"), for GSPARX solar package on 1 July 2020. This move was aimed at encouraging retail consumers to switch to solar power for their electricity needs, as part of the Bank's green financing journey that focuses on increasing the number of Green Homes and production of renewable, sustainable and cost-efficient energy in the country. Through this collaboration, Bank Islam provides an attractive offer of 100% financing for the purchase of **GSPARX's** solar PV package together with residential packages for free maintenance, product and workmanship warranty, 24 hours online monitoring, as well as after-sales services.

MANAGEMENT DISCUSSION & ANALYSIS

Expanding Social Finance through Sadaqa House

Bank Islam continues to intensify its focus on expanding the potential of Islamic social financial instruments such as zakat, waqf and sadaqah to help the underprivileged and the community who are severely affected by the uncertain economic situation, to enable them to be independent and sustainable in the long run.

Through the establishment of Sadaqa House, Bank Islam's impacts and success stories in social finance has been growing. In 2018, RM1.07 million (of which RM500,000 is the seed from Bank Islam) was collected for disbursement to selected projects that highly impacted the beneficiaries positively, and in 2019, a further RM425,000 was collected. Alhamdulillah in 2020, we managed to collect RM5.35 million. Thus the Bank is now able to start funding in-house projects such as **BangKIT Microfinance**, which was established on 25 November 2020 to finance selected micro-entrepreneurs who require working capital and/or funding for capital expenditure.

The launch of this facility was the main highlight of Bank Islam's Social Finance Month throughout November 2020, which was organised to provide public awareness on the importance and function of Islamic Social Finance in ensuring the socio-economic wellbeing of the country, especially within the challenging environment caused by the COVID-19 pandemic. Funded by Sadaqa House, BangKIT Microfinance is the first-of-its-kind in Malaysia, designed to assist selected unbanked and underbanked micro-entrepreneurs to obtain capital start-up business or business expansion and, subsequently build a credit record to qualify them for other Bank Islam financing solutions in the future, thus initiating win-win benefits with the Bank.



INCLUSIVE GROWTH

Offered under the al-Qard contract (interest-free), BangKIT Microfinance provides financing as low as RM500 to RM3,000 for start-up businesses and RM3,000 up to RM20,000 for business expansion with a repayment period of between six months to three years. Customers benefitted from this facility will be provided with structured entrepreneurship training to ensure their business sustainability. Sadaqa House funds this microfinance facility from donations made by corporate institutions and the public. As a start, RM2 million is allocated for BangKIT Microfinance. From this allocation, Bank Islam targets more than 200 micro-entrepreneurs to benefit from this facility.

To expand the potential of Islamic crowdfunding further, Sadaqa House developed and introduced its new official portal (www.sadaqahouse.com.my) during the year for the convenience of its potential contributors. Sadaqa House has also published its inaugural performance report for general reference on the application of strict governance in managing the contributions received, results and impact of its achievements as well as its long-term direction.

Growing focus on microfinancing

Bank Islam has launched the **ITEKAD** microfinancing programme, a social finance initiative to support sustainable income generation and financial resilience of asnaf and B40-owned microenterprises in the current challenging landscape. The introduction of the programme is in line with the government's Prihatin Rakyat Economic Stimulus Package announcement on 27 March 2020 to facilitate funding and provide support for micro-entrepreneurs and those impacted by the loss of income due to COVID-19.

Designed to mobilise social finance contributions; the programme offers seed capital with an affordable microfinancing arrangement for eligible applicants to start growing their business and generate sustainable income. In addition to the funding of working capital, iTEKAD will utilise zakat funds for the purchase of tools and equipment required by eligible recipients. The programme was implemented in collaborations with selected implementation partners such as State Islamic Religious Councils, agencies and non-government organisations.

As the pioneering participating Islamic financial institution, Bank Islam is working together with Majlis Agama Islam Wilayah Persekutuan and SME Corporation Malaysia in the first phase of the programme. Through this collaboration, recipients will receive structured entrepreneurship and financial management training to ensure they receive a more holistic understanding, as well as skills and knowledge in managing their business efficiently and sustainably. The iTEKAD microfinancing program is currently under the pre-screening process, but to date, the Bank has received about 100 direct applications, mainly from micro-entrepreneurs in the F&B (food and beverage), manufacturing and services sectors.

Another first of its kind inclusive social finance initiative by the Bank during the year was the **Personal Financing-i (Asnaf)** for salaried asnaf to build or acquire house in partnership with Lembaga Zakat Negeri Kedah ("LZNK") Malaysia. Under this special project, LZNK will support 50% from the total cost to build a house in Kedah while the recipient will bear another remaining 50% through the Personal Financing-i Asnaf facility

with Bank Islam. The scheme caters to families who receive a monthly salary below RM1,200 and are not eligible to get any personal or housing financing through most banks under normal circumstances. Recipients only need to make a repayment of about RM260 per month for a period of 10 years to Bank Islam, to eventually own a comfortable home. About 20 salaried asnaf are targeted to receive new homes through this special scheme in Malaysia by 2021.

Spearheading Waqf Initiatives

Waqf, under the purview of the State Islamic Religious Council ("SIRC") is an important tool of financial inclusion and economic growth. To maximise its potential, Bank Negara Malaysia ("BNM"), through the Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM"), has called for Islamic banks' participation in collaborating and standardising the waqf fund initiative action plan. The collaboration between SIRC and Islamic banks are seen as crucial in developing the potential of waqf and further empower the economy of ummah in Malaysia.

myWakaf is an inclusive economic instrument that incorporates philanthropic values in order to best serve all members of society, particularly the underserved and disadvantaged. The instrument is meant to assist these particular segments of the society to gain access to quality essential services that will contribute to socio-economic upturn, and fulfil the nation's shared prosperity goals. Currently, Bank Islam has been nominated to chair the initiative in which five other Islamic Banks are involved, namely Affin Islamic Bank Berhad, Bank Muamalat Malaysia Berhad, Bank Rakyat, Maybank Islamic Berhad and RHB Islamic Malaysia Berhad.



SADAQA HOUSE

RM5.35
million

FY2020 COLLECTION



MANAGEMENT DISCUSSION & ANALYSIS

The potential of waqf was further expanded by BIMB Investment through the creation of **Makmur myWakaf Fund**. By investing in the fund, investors are given the opportunity to gain returns on the investments and share a portion of the returns generated for the good of the society. By making allowance for the portion of the returns to be endowed as contribution to the society on an on-going basis, the introduction of Makmur myWakaf fund signals a continuous commitment to strengthening the role of waqf in becoming an instrument of good for the society.

A signatory of the **United Nations-supported Principles for Responsible Investment** ("UNPRI"), BIMB Investment is the only bank-backed Islamic Asset Manager in Southeast Asia. BIMB Investment has been named **ESG Asset Manager of the Year** for two consecutive years in 2019 and 2020 by The Asset Triple A Islamic Finance Awards 2020. A multi-currency, Shariah-compliant global mixed asset fund that supports the Malaysian International Islamic Financial Centre ("MIFC") initiatives, Makmur myWakaf Fund is the first waqf unit trust fund to be listed under the Securities Commission Malaysia's Waqf-Featured Fund Framework, which was introduced on 12 November 2020, and a Qualified SRI Fund under the SC Guidelines on SRI Funds. The fund is targeted to hit RM50 million in asset under management ("AUM") by the end of 2021.

Expanding Reach through Digital Technology

The constant development towards greater digitalisation of financial services, including banking and takaful industry benefits economies and societies as a whole, ensuring that customers have access to an extensive range of product offerings and services via digital channels. In 2020, COVID-19 accelerated the Group's digital journey as customers are increasingly relying on digital technology and online channels to perform their day-to-day transactions.

In response to the government's plan to allow the creation of virtual banks to address market gaps in the underserved and unserved segments, Bank Islam has allocated its resources for the establishment **Centre of Digital Experience** ("CDX") in 2020, which aims to explore experimental new businesses and technologies in building a challenger bank and mobile banking app that provides next-level banking for the discerning and contemporary consumers. The future envisioned with CDX setup will have zero reliance on physical branches, less employee requirements and better features aimed at driving financial literacy and helping customers achieve their life goals. Through CDX, the Bank is committed to becoming the first 100% digital Islamic bank, able to adapt next generation technologies within its sphere of operations.

The Bank's successful experience with its **Virtual Account Opening** ("VAO") facility since February 2018 hints at the vast potential of a digital bank. An average of nearly 2,000 account openings is achieved



through the VAO platform every month, thus significantly reducing queues and over-the-counter account openings. Encouraged by the support received from the market, the Bank then went on to develop its mobile banking app, **GO by Bank Islam**, which attracted more than 500,000 users with an average growth of usage of 50% from March 2020 when the MCO was enforced. Between March and September 2020, more than RM2.4 billion in transaction amount was recorded through this app.

As part of its digital strategy to facilitate customers with seamless access to a broad range of takaful products and services through digital channels, Takaful Malaysia continues to innovate and deliver comprehensive financial solutions by leveraging the latest technological advancements to cater to the need of a diversified portfolio of customers. Its pioneering **Click for Cover** app has been enhanced with additional features, such as the **Tele Bantuan** services where participants can submit a request for roadside assistance; monitor the real time location of the tow truck; and search for the nearest panel workshop within their vicinity for immediate assistance. In addition, members of Takaful Malaysia's employee benefits scheme can utilise the app to find out more about their certificate details; locate the nearest panel hospitals or clinics and pinpoint geographical locations; and present their e-Medical card via the app when visiting panel hospitals or clinics. This venture towards early adoption of online distribution and new digital technologies paid off in 2020 when the tranche of innovative online plans via its Click for Cover Online Sales Portal ("OSP") and Click for Cover mobile application, gained substantial sales volume during the year under review.

Relief and Boost for SMEs

In addition to automatic deferment of all financing repayments for six months for Small and Medium Enterprises (“SMEs”), the Bank introduced **SME Special Relief Facility (“SSRF”)** to help alleviate the short-term cash flow predicament faced by SMEs that encompass proposed offerings under PENJANA Tourism Financing (“PTF”) initiative and Targeted Relief and Recovery Facility (“TRRF”) by BNM. Funds under these programmes have been made available from 1 December 2020 until 31 December 2021 or until fully utilised.

The year saw the launch of **SME i-Gain transactional current investment account** offering commendable returns to SMEs to help preserve and sustain economic empowerment and wealth of valued customers. It gives up to 2% return to SME customers, and was made available until June 2020. As of June 2020, the SME i-Gain take up rate was about 10%.

SME Training Programmes

A host of training seminars and webinars were implemented during the year to help build small businesses and enhance positive impact on the real economy.

During the pandemic, an SME Webinar series featuring the Bank’s chief economist, SME adviser and chief executive officer (“CEO”) was released to provide updates on economic outlook, the path to recovery and important tips on how businesses can survive the period of uncertainty.

The Bank also continued its collaboration with MAIWP and SME Corp to carry out the Entrepreneur Development Training Programme for iTekad Microfinancing participants. Training for this programme is on-going through 2021.



Responding to Marketplace Needs

Towards rejuvenating the country’s economy and following the rising demand of healthcare related products and services, Bank Islam embarked on MoU signings with six professional healthcare associations for strategic collaboration in providing total banking solutions, complementing the needs of its members. This partnership creates a bigger room for exploration and a better understanding of their financial needs enabling capitalisation of expertise to benefit each other mutually. The associations involved are the Malaysian Medical Association (“MMA”), Ibnu Sina’s Medical Charity Organisation of Malaysia (“PAPISMA”), Malaysian Pharmaceutical Society (“MPS”), Association of Malaysian Optometrists (“AMO”), Malaysian Private Dental Practitioners’ Association (“MPDPA”) and Veterinary Association Malaysia (“VAM”). Through this collaboration, Bank Islam is offering total financing solutions via its Personal Financing-i product valued up to RM300,000 and maximum of 10 years’ tenure at a competitive rate. Other solutions provided include financing and refinancing of fixed assets, mainly on commercial lots, and cash management solutions. Besides that, Bank Islam also offers Small and Medium Enterprises (“SME”) banking products and services for customer with the potential to open their private practice, such as specialist centres, medical clinics, veterinary clinics, optometry centres and pharmacies, to facilitate them when a higher amount of financing is required.

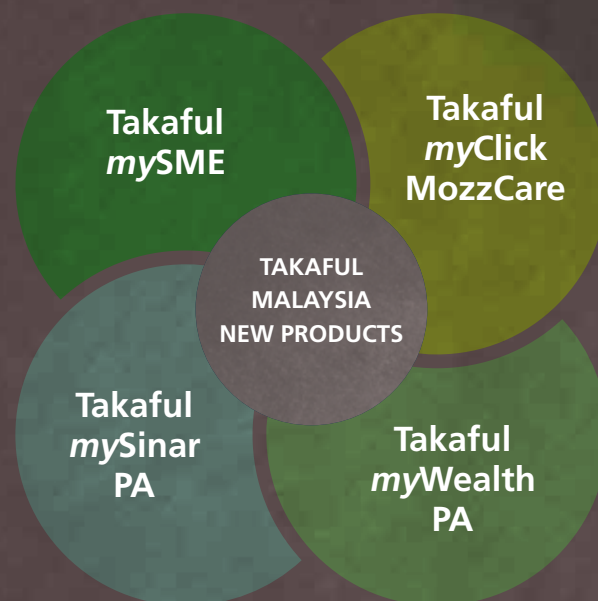
MANAGEMENT DISCUSSION & ANALYSIS

Responding to new marketplace needs, Takaful Malaysia widened its portfolio of Takaful offerings with four new products during the year - **Takaful mySME**, **Takaful myClick MozzCare**, **Takaful mySinar PA** and **Takaful myWealth Plus**. Takaful mySME is a comprehensive and flexible plan that can be tailored towards a wide range of protection to cover specific business risk. Takaful myClick MozzCare is an affordable online protection plan for Dengue and Zika that was extended to cover COVID-19 at no additional cost. Takaful mySinar PA provides comprehensive personal accident coverage for individuals and their families, especially during Hajj or *Umrah*. Finally, Takaful myWealth Plus is a limited pay endowment Takaful plan that provides guaranteed cash payments and Takaful protection as well as potential growth on investments.

During the year, Takaful Malaysia service centres nationwide actively participated in various on-ground and marketing activities to promote and market our products and services, especially our comprehensive Click for Cover online products to the local communities. Among the on-ground activities were the 'Program Anjuran Jabatan Agama Islam Melaka Bersama Guru-Guru Agama' and 'Program Kem Solat' in Melaka, 'Maqan' Fest 2020 in Johor and other marketing activities held in Negeri Sembilan, Selangor and Kedah.

In supporting BNM's objective to transform Malaysia into a cashless society, Takaful Malaysia has introduced one of the fastest growing payment trends in Malaysia, **e-Wallet**, on top of other payment methods available via the Click for Cover OSP to provide convenience to customers, apart from reducing theft and fraud. Customers now have easy access to multiple e-Money issuers to pay their contributions for selected online protection plans.

BIMB Securities contributed to Bursa Malaysia's call for increased women participation in the Malaysian capital market by participating in the Women's Day Promotional Campaign. During this period, CDS Account opening fees for women were waived to attract more women investors.



Giving Back to the Community

Giving back to the community is an integral aspect of BHB's heritage and corporate culture. It is a priority for us in supporting charity programmes and initiatives that impact a positive influence on the community. Over thousands of needy families and individuals, communities as well as school children have benefitted from our contributions.

During the year under review, our subsidiaries carried out various community-based activities and programmes via their Corporate Social Responsibility ("CSR") umbrella of **Amal** and **Takaful myJalanan**. These ranged from financial and non-financial contributions to communities in need to established programmes that target sustainable upliftment for the long term.

In 2020, the Group contributed a total of **RM2.7 million** for its CSR efforts, with Bank Islam contributing more than RM2.2 million and Takaful Malaysia contributing more than RM380,000. Overall, the Group's employees clocked more than **6,600** man-hours as volunteers for CSR activities, with Bank Islam's employees clocking in at more than 5,800 man-hours and Takaful Malaysia's employees clocking in at nearly 500 man-hours.

Details on the Group's CSR activities are outlined on page 110.



Workplace of Choice

Talent enrichment and management has always been a priority across our three subsidiaries. Maintaining a skilled and efficient workforce to achieve our priority in the four core areas of financial, customer, business process as well as learning and growth provided a long-term benefit to our subsidiaries. Talent development plays an important role in our business strategy in managing the important assets of the company. In the long run, we aim to increase employee performance, attract top talent and sustain a continuous coverage of critical roles by offering a healthy work culture and workplace environment that attracts and retains high calibre employees.

On this front, Bank Islam and Takaful Malaysia have consistently been voted as best company to work for and the year saw both once again receiving awards toward this achievement. Both were ranked **Most Attractive Graduate Employers to Work for** at the Graduates' Choice Award ("GCA") and Takaful Malaysia even made **HR Asia's Best Companies to Work** list.

Values Driven Culture

Bank Islam has been dynamically working to embed its corporate **TAAT (Think Customer, Act with Integrity, Advance Beyond, Take Charge)** values in all policies, guidelines, framework and procedures throughout the year under review by addressing five key engagement drivers as critical enablers for culture change – enabling infrastructure, rewards & recognition, supervision, empowerment through autonomy, and communication. With this completed, actions plans for improvement opportunities in key HR processes are ready to roll out in 2021. These involve enhancement of people to align to desired behaviours.

Towards improving the Bank-wide employee engagement score to above 70%, impactful engagement programmes such as Divisional Town Hall, Weekly briefings and Monthly Bulletins are carried out, and there is continuous monitoring of employee engagement at Bank-wide and divisional level. An Employee Engagement Survey completed in Nov 2020 showed the achievement of an 81% Engagement Index.



Training and development

Our subsidiaries continued to focus on training and development in 2020, leveraging on digital channels during the MCO period. This included business roll-out sessions for Takaful Malaysia's corporate agents, business engagement session for sharing product offerings, campaigns and operations related matters, and even an in-house Business English course involving a total of 70 Takaful Malaysia employees to help improve Business English Language skills among the participants with a focus on business contexts and environments.

Virtual meetings and in-house trainings combined with on-line knowledge sharing sessions are paving the way forward in ensuing continuous training and development while safeguarding the safety and health of our employees in light of the COVID-19 pandemic.

In total, the BHB group logged more than **136,000** training hours (BHB: 384, Bank Islam: 124,758, Takaful Malaysia 8,934 and BIMB Sec 2,021.5) for the year. Over **7,000 employees** participated in various training and development programmes for the year, which recorded a total investment of over **RM4.8 million**.

MANAGEMENT DISCUSSION & ANALYSIS



ETHICAL PRACTICE & REPORTING

Adhering to governance

BHB ensures the highest standards of governance are practiced by our operating units. Abiding by the evolving laws and regulations by keeping track of the regulatory changes and developments ensures that we steer clear of any adverse impact in conducting our business in a responsible manner. We stay on top of the guidelines, policies and frameworks implemented by the administrative and regulatory bodies to sustain our competitive advantage in providing better value to the customers and maintaining transparency in our business operations and dealings.

Our business operations adopt high standards of ethics and compliance throughout their operational activities as well as functions and implements internal controls to minimise the risk of breaches and penalties within a reasonable tolerance. It is part of our on-going initiative to nurture an appropriate compliance culture within the Group by conforming to the laws, regulations, guidelines and specifications relevant to our business processes and industry's best practices. Our businesses continue to be guided by industry-relevant Sustainability policies, Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policy, Personal Data Protection, Fraud and Integrity Policy, Whistle Blowing Policy and Anti-Corruption Policy.

The Group is mindful that to govern both business initiatives and opportunities, policies and procedures need to be constantly reassessed apart from incorporating an internal framework to identify, monitor, remediate and report non-compliance incidents as part of our commitment to embracing regulatory compliance in our business operations.

In 2020, in conjunction with the introduction of Section 17A of the Malaysian Anti-Corruption Commission Act and the National Anti-Corruption Plan ("NACP") that came into effect on 1 June 2020, BHB and our key operating subsidiaries have also established the action

plan and the Anti-Bribery and Corruption Policy. The Group is targeting to be accredited with ISO 37001 Anti-Bribery Management Systems ("ABMS") certification in the fourth quarter of 2021.

A host of virtual e-learning and trainings for Directors and employees were organised during the year to cover trending compliance topics. For example, Takaful Malaysia conducted the following e-Learning modules applicable to all its employees in 2020:

- Anti-Money Laundering and Countering Financing of Terrorism ("AML/CFT")
- Personal Information Record Management Framework ("PIRMF") Awareness
- Anti-Corruption Framework ("ACF") Acknowledgement/Declaration
- Internal Shariah Governance Policy
- Fraud Management Policy
- Climate Change and Principle-based Taxonomy e-Learning
- Operational Risk Management Framework e-Learning

Details on the Group's Governance initiatives are covered in pages 120 to 147.

Earning industry acclaim

The Group and its subsidiaries were acknowledged for its responsible financial performance through various industry recognitions and awards during the year. BHB has been recognised for its improved reporting and transparency via two highly cherished awards during the year under review. These were the **ASEAN Asset Class Award** at the 2019 ASEAN Corporate Governance Scorecard Award by Minority Shareholders Watch Group ("MSWG"), and subsequently, the **Industry Excellence Award** at the MSWG-ASEAN Corporate Governance Awards 2019.

For the second time since 2015, Bank Islam was named as **Malaysia's strongest Islamic retail bank for 2020** by Cambridge International Financial Advisory (Cambridge IFA) at the sixth Islamic Retail Banking Award 2020. The award recognised the Bank's continuous focus in providing comprehensive and innovative Shariah-compliant financial and banking solutions, and demonstrated Bank Islam's readiness to become the first and only listed Islamic bank in Malaysia.

Takaful Malaysia was awarded the **Highest Returns to Shareholders Over Three Years** and the **Highest Return on Equity Over Three Years** awards at the annual awards ceremony of The Edge Billion Ringgit Club 2020 ("BRC") organised by The Edge Media Group.



ISLAMIC FINANCE & KNOWLEDGE-SHARING

Organisation and participation in webinars

The BHB Group has actively advanced the industry, propagating and sharing our wealth and experience to create a learned society in Islamic finance and ensure progress of the industry. BHB and our subsidiaries sustain leadership as flagbearers of the industry through provision of leadership to industry-led Islamic financing related schemes; organising engagements with universities and state religious authorities across Malaysia; and creating Shariah e-learning modules on Shariah compliance culture.

During the year under review, industry engagements included a webinar organised by the Finance, Competitiveness & Innovation Practice in the World Bank Malaysia's Knowledge & Research Hub, which discussed how various Islamic finance instruments could be used to support the recovery efforts in different countries; a University of Malaya Seminar on Islamic Banking and Finance; and an IBFIM webinar on Sustainability Focus of Budget 2021.

Another educational webinar organised was entitled "Islamic Financial Instruments for More Effective Social Impact". This webinar featured Mohd Nazri Chik, General Manager, Strategic Relations, Bank Islam together with Prof. Dato' Dr Azmi Omar, President and Chief Executive Officer of the International Center Education in Islamic Financial ("INCEIF") and Prof. Dr Amir Shaharuddin, Chief Executive Officer, Yayasan Wakaf Malaysia.

Takaful Malaysia organised the first of its kind webinar that successfully attracted more than 80 participants from various companies and business backgrounds who took part in the event that was held virtually. Focusing on the 'Ways for HR Practitioners to Assist Employees in Adjusting to the "New Norm" Whilst Continuing to Ensure Employees Engagement and Productivity during MCO', the web seminar was initiated as part of the value-added services offered to existing and potential corporate clients. In addition, it participated in the INTI College Digital Career and Internship Fair 2020 that was conducted virtually to make connections, establish professional relationships and discuss potential job and internship opportunities; and the KWSP Financial Wellbeing Roadshow to provide visitors with information on retirement savings and consultation on how to achieve financial goals by having the right financial knowledge.

BIMB Securities conducted a virtual Shariah training session to Fund Manager on the Introduction and Application of Shariah Contracts for Islamic Fund Management Companies. The training was part of the value-added services offered to the corporate clients which was attended by their employees and the Investment Committee Members. The main objective of the training was to provide the fundamental Shariah knowledge particularly on the Shariah contracts applied in Islamic fund management and its relation with the Shariah requirements by the Securities Commission Malaysia.

With the new norm of doing business, BIMB Securities conducted virtual company visits, corporate presentations and conference calls with its Institutional clients. Workshops for retail clients were also conducted both physically before MCO, and virtually, covering topics on Robotic Trading, Gateway to Shariah Global Trade and "From Bearish to Bullish".



BHB has been recognised for its improved reporting and transparency via two highly cherished awards during the year under review. These were the ASEAN Asset Class Award at the 2019 ASEAN Corporate Governance Scorecard Award by Minority Shareholders Watch Group ("MSWG"), and subsequently, the Industry Excellence Award at the MSWG-ASEAN Corporate Governance Awards 2019.



MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK

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 for 2021, the Bank is embarking on a 5-year roadmap to deliver the promise of technology, redefine growth and work in new ways to address upcoming challenges.

By 2025, the Bank Islam aspires to be the leading bank in offering Shariah environmental, social and governance ("Shariah-ESG") total financial solutions 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 the real and green economy; implement integrated wealth management business model; accelerate digitalisation; promote social finance, and enforce cost management initiatives.

Against a strong backdrop of credit metrics with the recent reaffirmation of AA3/Stable/P1 by RAM Ratings, BHB 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 of business expansion.

SUBSIDIARIES' OPERATIONS REVIEW



PERFORMANCE SUMMARY

The Bank Islam group's assets portfolio quality remained strong as reflected in the low gross impaired financing ratio of 0.67% at the end of 2020, lower than the 1.57% registered by the banking system. Total gross impaired financing was RM373.2 million compared to RM433.0 million at the end of 2019.

As of 31 December 2020, the Bank's net financing reached RM54.7 billion, a healthy 10.5% year-on-year ("Y-o-Y") growth of RM5.2 billion. This is above the 2020 KPI target of 5%, and was contributed by higher growth from both consumer and business financing growth at 11.36% and 9.22% respectively. In particular, this relates to financing in supply chain for selected industries/customers within Halal Economy, the Bank continue to replicate successful vendor financing programme business models, such as with vendors of PETRONAS, TNB, Sarawak Energy and most recently, TM Malaysia.

Customer deposits and investment accounts rose 10.1% or RM5.8 billion Y-o-Y to RM63.4 billion. Total current, saving accounts and transactional investment accounts ("CASATIA") composition is at a healthy level of 36.1% of total customer deposits and investment accounts. With a Total Capital Ratio of 19.8% as of 31 December 2020, the Bank is in a strong capital position to facilitate the targeted assistance to affected customers, and support continued business growth.

At this juncture, Bank Islam has been persevering in producing sustainable financial results that are within the industry's average, cognisant of and leveraging on the low-interest-rate environment. The Bank reported a PBZT of RM728.2 million for the FY2020, 13.7% lower compared to 2019. The decline was mainly due to lower net financing income arising from multiple downward revisions of the OPR, the recognition of modification loss due to the moratorium exercise, targeted assistance programme and pre-emptive impairment provision in consideration of the challenging economic environment.



Awards and Achievements 2020:

- **Digital Wallet Initiative of the Year** (KipleUni Programme) by Asian Banking & Finance 2020
- **Strategic Partnership of the Year** (eJamin) by Asian Banking & Finance 2020
- **Best FPX Bank** by Malaysian e-Payments Excellence Awards 2020
- Telekomang Hydro One RM470 Million Asean Green SRI Sukuk – **Best Renewable Energy Sukuk** – Hydro Malaysia by The Asset Asian Awards 2020 Islamic Finance
- **Malaysian Deal of the Year 2019** for Urusharta Jamaah's RM27.56 Billion Sukuk by Islamic Finance News Awards
- **The Strongest Islamic Retail Bank in Malaysia 2020** at the 6th Islamic Retail Banking Awards by Cambridge IFA
- **Graduates' Choice Award 2020** for Banking sector organised by Talentbank Award
- **Al-Mansor Excellence in Islamic Financial Services Award** at the Islamic Excellence Awards 1441H/2020
- **5-Year RM1.2 billion Syndicated Commodity Murabahah Term Facility** by Serba Dinamik

MANAGEMENT DISCUSSION & ANALYSIS

2020 HIGHLIGHTS



Signed **Memorandum of Understanding ("MoU")** with TM Malaysia on Vendor Financing Programme on 7 September 2020

Joint Lead Arranger/Manager or Solar Arranger – ESG Sukuk – secured mandate from a State water operator for proposed **RM10 billion** Sukuk programme; a mini hydro operator for proposed **RM850 billion** Sukuk programme; solar farm mandate and education sector



Successfully secured **Joint Lead Manager ("JLM")** role for Air Selangor **RM1.1 billion** Sukuk issuance; upsizing exercise



Specialist in **Green Financing** with **RM2.1 billion** of total green financing portfolio



Launched **personal financing** for **GSPARX** solar package for retail customers



GO by Bank Islam mobile banking app providing more convenience to our customers



Positive debit card growth with **3.3 million** debit cards in circulation and spending growth of **RM353.12 million** in October 2020 from **RM208.72 million** in March 2020



Sadaqa House collection of **RM5.35 million**

Launch of **BangKIT Microfinance** and **iTEKAD Microfinancing Programme** to finance selected unbanked and underbanked micro-entrepreneurs



Credit card linked to **charity, waqf and Sadaqa House** via loyalty point redemption and normal transaction



Personal Financing-i (Asnaf) for salaried asnaf to build or acquire house

Awqaf Ummah Financing Programme (end financing and bridging financing for waqf property development)



Depositors' zakat service

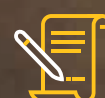


Spearheading **AIBIM myWakaf** initiative as Chair



More than **RM200 million** for more than 100 customers were approved under **Syarikat Jaminan Pembiayaan Perniagaan ("SJPP")** guarantee scheme

iTEKAD Microfinancing Programme received 20 applications approved with total amount of above **RM400,000**



MoU signing ceremony with **6 professional bodies** for strategic collaboration with Healthcare industry to offer real-economy programmes

Moving Forward

The restructuring exercise will pave the way for Bank Islam to emerge as the first pure-play full-fledged Islamic financial institution listed in the nation. Bank Islam will be accorded with full autonomy in undertaking and pursuing its corporate and business strategies and adopting its capital management initiatives as a pure-play full-fledged Islamic financial institution. This means greater autonomy to pursue its individual growth strategies, improve the decision-making process and access to more flexible funding options. With a clear and distinct business focus, this should accelerate performance improvement and in turn enhance customer service.

Customers can expect the following value proposition in the Bank's business model over the next few years:

- **Integrated Wealth Management Business Model** – Bank Islam's offerings will transform from product centric to holistic financial advisory which results in a wealth creating proposition beyond basic financing solution. This includes the Islamic concept of profit-sharing where customers can opt for higher return with acceptable risk.
- **Enterprises** – For the SME market, focus will advance from financing-centric to ecosystem play. This will be achieved through enabling a Halal economy/platform to facilitate collaborative financial ecosystem play among enterprises and bank, such as business to business ("B2B") and business to customers ("B2C").
- **Wholesale Banking proposition** – Emerging total holistic financial solutions by mobilising capital to help customers achieve sustainable growth. This proposition calls for greater alignment and synergy with our investment arm, BIMB Investment.
- **Digital Bank** – Greater digital and technological capabilities will catalyse the Bank's entrance into new markets and segments. All customer segments can expect to be on board through this proposition – be it from the microfinancing or micro investing perspective.
- **Social Finance** – Customers can anticipate to be a part of Bank Islam's journey of inclusivity in empowering the unbanked and underbanked communities to becoming bankable. This will be achieved through various game-changing projects enabling wealth circulation through social finance that impacts the livelihood of beneficiaries. Some of the successful initiatives to date includes serving more than 3,000 beneficiaries through Sadaqa House, the launch of iTekad in 2020 and implementation of the BangKIT Microfinance programme.



MANAGEMENT DISCUSSION & ANALYSIS



PERFORMANCE SUMMARY

As a pioneer in the Islamic insurance industry for over 35 years, Takaful Malaysia has successfully transformed into one of Malaysia's leading takaful operators, providing the financial strength and risk management expertise that fulfils the protection needs of consumers. The success story of Takaful Malaysia has created an impact on the overall outlook of the insurance industry, which resulted in the emergence of a significant market for the takaful industry to expand over the conventional insurance industry.

Takaful Malaysia's total assets continued to witness a sterling performance over the last five years, increasing by 14% to RM11.8 billion during the year under review from RM10.3 billion registered in the last financial year. Net assets per share also augmented to RM1.82 in 2020 from RM1.48 in the previous year.

As a whole, the Takaful Malaysia group recorded a 2% increase in PBZT which was RM426.8 million for FY2020 compared to RM417.7 million achieved in 2019. Operating revenue of RM2,957.2 million for FY2020 was lower compared to RM3,124.6 million recorded in 2019. The decrease in revenue was mainly attributable to lower sales generated from the Family Takaful business, which generated gross earned contributions of RM1,756.9 million for FY2020, compared to RM2,042.3 million in the corresponding period last year. Sales for the year was mainly attributable to our partnerships with leading Islamic financial institutions for credit-related services and cross-selling of online and customised takaful solutions to Bank clientele, established network of treasury business in reaching out to civil servants for Mortgage Takaful coverage, and its Employee Benefits ("EB") business portfolio.

However, General Takaful business registered a growth of 7% compared to 2019, recording higher gross earned contributions of RM756.5 million for FY2020, compared to RM706.2 million made in FY2019. The growth was driven by improved customer retention and acquisition in motor portfolio. The strategic move to actively promote and market the online motor takaful plan via the digital and social media platforms has been effective in driving sales to record double-digit growth of 50%.



Awards and Achievements 2020:

- **The Highest Returns to Shareholders Over Three Years** award in the financial services category for companies with a market capitalisation of below RM10 billion at The Edge Billion Ringgit Club 2020
- **The Highest Return on Equity Over Three Years** award in the financial services category for companies with a market capitalisation of below RM10 billion at The Edge Billion Ringgit Club 2020
- **The Most Attractive Graduate Employers to Work for in 2021** under the insurance category at the annual Graduates' Choice Award
- **The Best Companies to Work for in Asia 2020** for the third time at the annual HR Asia Best Companies to Work for in Asia Awards, Malaysia edition

2020 HIGHLIGHTS



Sustained our market-leading position in the **Family Takaful business** with **23%** market share



Maintained as the **second largest** in the **General Takaful business** with **24%** market share



Launched the **Click for Cover** application, a mobile application for online takaful application and services



Introduction of new product offerings: **Takaful myClick MozzCare, Takaful mySinar PA, Takaful myWealth Plus** and **Takaful mySME**

CLICK FOR COVER APPLICATION

Featured with a secured payment gateway facility which allows online transactions for contribution payments, Click for Cover users can utilise the app to check on the details of their certificates such as the coverage, utilised amount, claims history as well as the service provider details conveniently. The app also offers fast and easy Tele Bantuan services where users can submit a request for roadside assistance via the app in the event of an unexpected breakdown or accident. Users can easily monitor the real time location of the tow truck as well as search for the nearest panel workshop within their vicinity for immediate assistance. In addition, members of Takaful Malaysia's employee benefits scheme can utilise the app to find out more about their certificate details and present their e-Medical card via the app when visiting any of our panel hospitals or clinics. Furthermore, they can locate the nearest panel hospitals or clinics and pinpoint geographical locations via the app.

TAKAFUL myCLICK MOZZCARE

This is an affordable online protection plan that provides coverage against the ever present Dengue and Zika with lump sum cash payout up to RM4,000 upon diagnosis. This online product has been extended to cover COVID-19 at no additional cost for a lump sum cash payout of up to RM2,000 if the person covered is diagnosed with the virus. Takaful myClick MozzCare is offered to individuals aged 18 and above with an affordable price from as low as 11 cents a day or RM40 a year with three exclusive packages to choose from.

TAKAFUL myWEALTH PLUS

Distributed via bank partners through the bancatakaful distribution channel, this is a high protection takaful plan with guaranteed cash payment. Designed as a limited pay endowment takaful plan that provides guaranteed cash payments with potential growth on investment. Providing a high protection of up to RM300,000 with no underwriting, the plan pays annual cash payments starting from the end of the second certificate year. In addition, this plan provides a compassionate allowance upon death and life event allowance upon marriage or childbirth. Customers will also receive a guaranteed maturity benefit payout up to 150% of the sum covered upon plan maturity.

TAKAFUL mySME

Designed to cover a wide range of SMEs across industries, this plan provides SME clients the option to choose the protection they need by creating a customised and holistic package that best suits their business needs. Takaful mySME offers a wide range of protection with a high sum covered of up to RM50 million for fire coverage, including terrorism cover, apart from enhanced protection that includes all risks, money, personal accidents, public liability, goods in transit, and other optional covers.

MANAGEMENT DISCUSSION & ANALYSIS

Moving Forward

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. Catalysed by ethical investment strategy and programmes, substantial growth opportunities, rising levels of awareness and high market competition, as well as stable demand in the Islamic banking and finance sector, the takaful sector is set to sustain market growth, given the forecast of resilient private consumption and low penetration rate.

Moving forward towards 2021, there will be intensified focus on the digital agenda by the introduction of innovative online protection solutions, increased distribution capabilities, strategic collaborations with leading Islamic financial institutions, implementation of investor relations programmes and advanced marketing strategies to strengthen Takaful Malaysia's brand-building efforts.

Takaful Malaysia remains vigilant and cautious in managing operating costs, supervising the balance sheet, business growth, and portfolio risk. The company intends to execute business penetration and retention strategy as a professional and leading Employee Benefits ("EB") takaful solution provider in managing medical costs with across-the-board value-added services, while adopting a long-term approach to further elevate the General Takaful business growth and increase in market penetration for motor and non-motor product portfolios.

The ultimate goal is to outpace the market and firmly be established as the preferred choice for protection amongst the consumers, further expand market reach and be an industry-leading Islamic insurance company not just amongst Takaful operators but even across the conventional insurance providers. Therefore, Takaful Malaysia will continue to pursue the highest levels of excellence and set new standards to inspire innovation in the industry, empower its clientele and improve customer experience.

“

There will be intensified focus on the digital agenda by the introduction of innovative online protection solutions, increased distribution capabilities, strategic collaborations with leading Islamic financial institutions, implementation of investor relations programmes and advanced marketing strategies to strengthen Takaful Malaysia's brand-building efforts.

”



PERFORMANCE SUMMARY



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BIMB SECURITIES SDN BHD
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BIMB Securities Berhad ("BIMB Securities") recorded a Loss Before Zakat and Tax ("LBZT") of RM2.3 million for FY2020 compared to LBZT of RM3.2 million in FY2019.

Nevertheless, the Company had recorded increase in gross brokerage from Retail Dealing by 250% and from Remisers by 321% as compared to 2019. Gross brokerage from Institutional Dealing had dropped by 27% as compared to 2019 with the shift of portfolio of institutional clients to global markets and fixed income.

Income from Non-Dealing such Share Margin Financing and Shariah Advisory services recorded an increase of 31% and 22% respectively in 2020 as compared to 2019. Income from investments and other income recorded a decline of 26% in 2020 due to the lower rates from banks and fund management companies.

BIMB Securities had incurred losses in 2020 albeit lower losses as compared to 2019. These were mainly due to lower income generated from Institutional Dealing as clients shifted its investment portfolios. Nevertheless, BIMB Securities had improved greatly in Retail Dealing and fee-based income, thus it aspires to continue this upward trend in the years to come. The company had also managed to reduce its expenses by 8% in 2020 as compared to 2019, mainly with lower staff expenses by 14% as compared to the previous year.

2020 HIGHLIGHTS



Online Trading Application Form ("OTAF")

With the expected prolonged MCO due to COVID-19, BIMB Securities had launched the OTAF in June 2020 to facilitate retail clients to fill in account opening forms without requirement of physically meeting the dealers.



Robotic Trading

Collaboration with Mathcraft Sdn Bhd to provide robotic/ algo trading to Retail Clients.



eClaims portal for staff

Launched the eClaims portal in the fourth quarter of 2020 whereby employees are able to submit their claims through an online portal and their claims will be routed to the designated persons for verification and approval.



eHelpdesk portal for staff

Launched the eHelpdesk portal for staff in May 2020. The eHelpdesk portal is a portal to facilitate employees' system (such as IT apps, PC, laptops, social media updates) and non-system related requests (such as booking of meeting rooms, company car, supply of stationeries).



Marketing Representatives ("MR")

Engaged MRs to assist the Company in garnering more business from potential retail clients. MRs are not salary based and are not required to hold dealing license. They will enjoy commission sharing for every client they bring in for BIMB Securities based on the terms and conditions agreed by both parties.

MANAGEMENT DISCUSSION & ANALYSIS

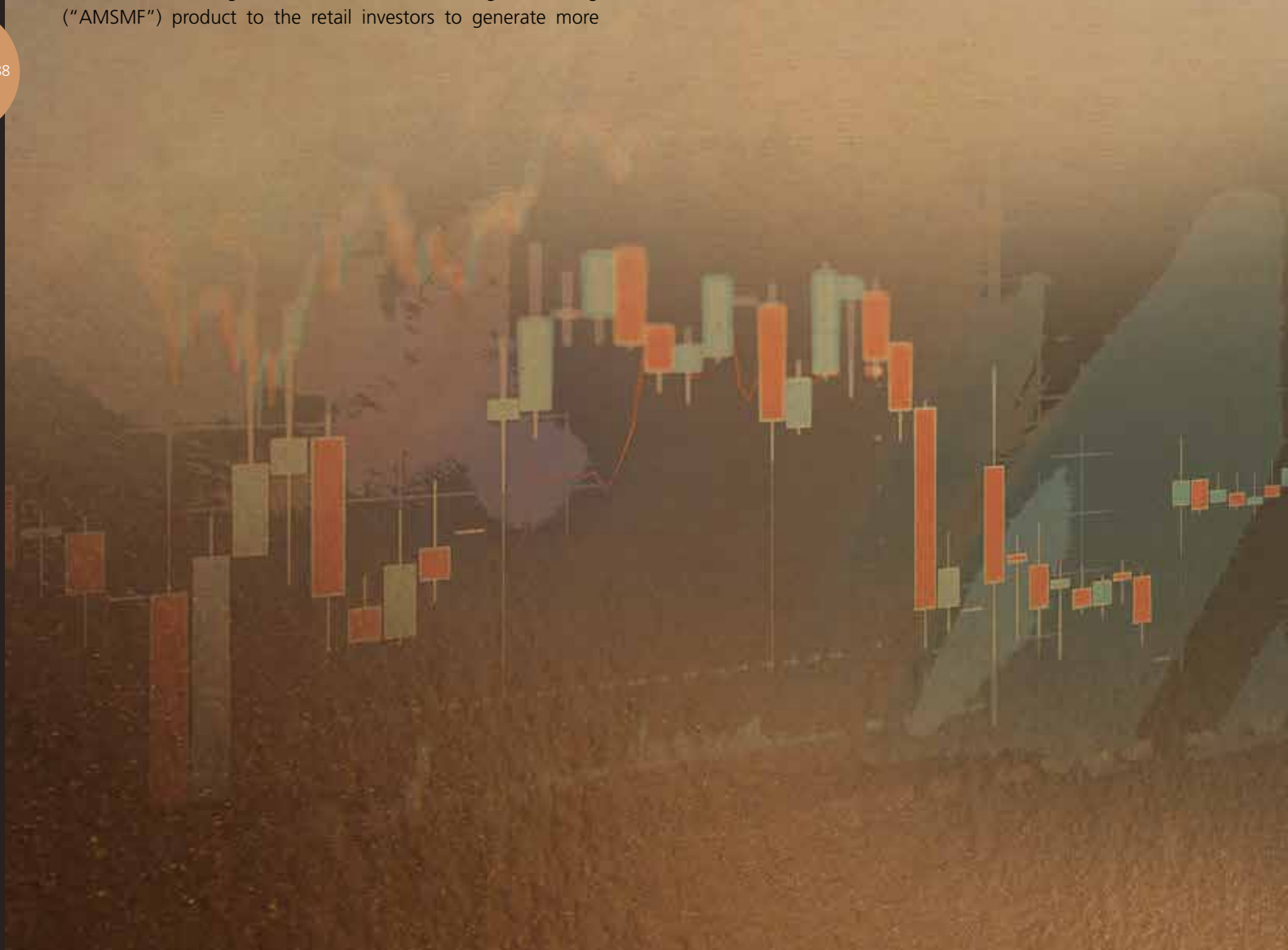
Moving Forward

BIMB Securities would be formally recognised as a bank-backed stockbroker compared to the previous set-up whereby BIMB Securities operates as a sister company to Bank Islam. Thus, a more comprehensive Bank Islam Group Wide Marketing initiative could be initiated to offer BIMB Securities' products and services to Bank Islam and Lembaga Tabung Haji ("LTH") depositors to rejuvenate the company's business.

BIMB Securities plans to extend their products and services to a more mixed balance of customers profile comprising of the Institutional and Retail customers to ensure sustainability, primarily domestically as well as to foreign investors. This includes the offering of Al-Murabahah Share Margin Financing ("AMSMF") product to the retail investors to generate more

fee-based income and to support a very much retail-driven profile of Bank Islam group with the increase in funds allocated for AMSMF as well as by introducing new products. BIMB Securities also plans to offer global trading capabilities to the Institutional clients by the second half of 2021 while at the same time, increases its existing global trade offerings to the retail clients.

BIMB Securities looks forward to the implementation of more comprehensive synergistic collaboration initiatives between companies within the BIMB Group, with proper KPIs assigned to each entity to ensure that the mutual benefits and business enhancements for all entities within the Group is achieved.





ENSURING A SUSTAINABLE FUTURE

"BHB stands at the precipice of transition today. Established on 20 March 1997 and listed on the Main Market of Bursa Malaysia on 16 September 1997, we have come a long way. Building on our subsidiary Bank Islam's efforts – the nation's pioneer Islamic bank – the Group has accumulated 35 years of expertise and experience and expanded an extensive portfolio of diversified businesses across the Islamic financial industry. However, we believe that to stay ahead and grow from strength to strength; we must constantly review our position and adapt to change when we need to. I am pleased to say that change is taking shape."

"I take this opportunity to thank all shareholders and warrant holders for their confidence and trust in BHB and their overwhelming support and approval for the upcoming restructuring and internal reorganisation exercise. It will result in Bank Islam Malaysia Berhad taking over BHB's main market listing status, while Syarikat Takaful Malaysia Keluarga Berhad ("Takaful Malaysia") will retain its separate listing status."

Mohd Muazzam Mohamed
Chief Executive Officer
BIMB Holdings Berhad
Bank Islam Malaysia Berhad

MANAGEMENT DISCUSSION & ANALYSIS

In the immediate future, the planned restructuring entails a fundraising exercise, a scheme of arrangement for settlement of outstanding warrants of the Company, an internal reorganisation of the Company's subsidiaries, a distribution and capital repayment exercise involving the distribution of the Company's entire shareholdings in Bank Islam and Takaful Malaysia to the shareholders of the Company, and lastly the transfer of listing status of BHB to Bank Islam by end 2021.

The timing for this exercise has been fortunate. At the start of 2020, the greatest challenge in bringing the listing into fruition has been the spread of COVID-19 which brought the global economy to a standstill, resulting in an inevitable disruption in the way businesses operate and our restructuring plan. However, in ensuring a sustainable future within this new business landscape compounded by the consequences of the pandemic and economic challenges, the restructuring grants our Shariah-compliant business entities greater autonomy to react with agility to unique challenges of the day, respond to opportunities and reshape a sustainable future in line with the Islamic principles and VBI agenda.

The gradual path to recovery is on-going and not expected to be smooth-sailing. While we can be cautiously optimistic, depending on the successful implementation of vaccine roll-out throughout the nation, weaker global growth prospects could weigh on earnings. Within this uncertain landscape, resilience and agility will be key attributes of success. And these are precisely the benefits restructuring offers Bank Islam once it takes the helm as the only listed pure-play full-fledged Islamic financial institution, poised and ready to chart another meaningful journey in the Islamic finance sphere.

We expect the next five years to be a transformative journey for the Group. In the future, Bank Islam and Takaful Malaysia will have greater autonomy to pursue their own growth strategies, improve the decision-making process, and access more flexible funding options. Capital will be made readily available to accommodate and support respective entities business growth for the long term, targeted to be sustainable.

For our stakeholders, the restructuring offers continued commitments as well as a host of positive impacts:



Investors can unlock value and gain direct exposure to Islamic Banking and Takaful businesses to meet their individual investment preferences. They will also have a better insight of the business to help them analyse its performance. Though currently, Takaful Malaysia contributes approximately 39% to the BHB Group's PBZT, the exercise should not have any significant impact in term of profitability to Bank Islam. On its own, the Bank has been able to generate sustainable profit over the years. It is evidenced by improving profitability for the past five years, albeit profits have slightly tapered in 2020 due to the pandemic situation.



With a clearer and more distinct business focus, **customers** will benefit from performance improvement, clear and distinctive strategic and business direction, and improved decision-making process, which should enhance customer service.



The pure-play entities will have greater autonomy to pursue their own growth strategies and business direction plan without having to affect each other. Each entity will be able access more flexible funding options, which will help to strengthen business relations with **partners** and **suppliers**.



Employees of BHB will be absorbed into Bank Islam, and plans for improved talent-sourcing and better people management and development have been established at all entities



Communities stand to benefit from each pure-play companies, which will continue to support and fund sustained and well-managed CSR efforts. At Bank Islam, social finance will be the main focus where the financial capital leverage will ensure continuous contributions to the people and segments that matters. Efforts to engage with non-governmental organisations will continue.



Dealings and engagements with the **authorities** and **regulators** will continue to remain strong and improve with a more significant business focus. Each pure-play entities will be able to participate in government initiatives within their respective industries.



With better access to information on financial and operational matters, stakeholders such as **analysts, media, academic** and **industry** groups will be better able to assess each Company's performance for benchmarking, research, and analysis. The pure-play entities will also be able to participate in industry associations independently.

Continued Synergies

Synergies and collaborations between the business entities, such as the banca assurance arrangement between Bank Islam and Takaful Malaysia, will continue to be fortified and improvised for both parties' benefits.

As a direct subsidiary of Bank Islam, BIMB Securities will be in a better position to achieve its target 50:50 revenue percentage contribution from Institutional and retail client. This can be done by leveraging Bank Islam's clientele to grow BIMB Securities; institutional and retail dealing brokerage business, both domestically and foreign, as well as the provision of fee income from AMSMF to ensure sustainability.

A Digital Focus

Technological advancement has indeed changed the landscape of communication between financial institutions and users. Fintech is growing, along with InsureTech and other related technological solutions. A growing tech-savvy customer base is readily accepting these technological advancements and even increasingly expecting them to be offered in the marketplace. Embracing the latest technologies is therefore crucial in improving our functions and facilitating customers' loyalty and engagement.

The restructuring encourages Bank Islam's pursuit of technological advancements by allowing the Bank to better position itself in the Islamic finance and Islamic capital market and, capitalise on both markets' growth to expand the current customer base.

The Bank also remains open to any viable option for collaborations or partnerships with the fintech companies in creating opportunities to cross-sell while enjoying reduced

costs, complementary resources and technological transfers. Coopetition initiatives on the SME Vendor Financing Platform have been embarked on by the Bank to realise process improvements. Moving ahead, the Bank plans to leverage Digital Islamic Financial Accelerator ("DIFA") strategy to encourage and incubate the development of Islamic fintech solutions through coopetition with fintech partners. This digitalisation agenda is embedded within the Bank's VBI strategy.

On this front, our takaful business is reputed as a pioneer and early adopter of online distribution and new digital technologies, as epitomised by the online Click for Cover sales portal that supports our distribution channels. Digital and technological capabilities have enabled Takaful Malaysia to maintain uninterrupted business services to all sales intermediaries, bank partners, and customers despite the pandemic. This situation will continue in the future and to date, Takaful Malaysia already has a wide range of affordable online takaful solutions that customers can easily access at their fingertips. The company have also increased social media presence to cross-sell its online products, primarily targeting customers who may not have access to intermediaries for face-to-face selling.

In sustaining its market-leading position and 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.

BIMB Securities has accelerated its digitisation initiative that would facilitate lesser face-to-face time with its clients. These include the development of new mobile application for online trading featuring paperless account opening form and digital signature, all of which are targeted for launch by mid-2021.



MANAGEMENT DISCUSSION & ANALYSIS

CHALLENGES & OPPORTUNITIES: BANK ISLAM

For Bank Islam, the COVID-19 pandemic presents an opportunity to move forward sustainably on the banking front. Such a far-reaching impact of one single virus raises a simple question: is there a systemic error in the way we operate, and what can be done to correct it? To stand atop its performance in withstanding the pandemic's adverse effect, Bank Islam acknowledges the emerging trends happening on account of COVID-19 and is ready to leverage on the opportunities they bring.



E-commerce, contactless methods for payment & delivery

Consumers are encouraged or even required by businesses to utilise digital platforms and opt for contactless delivery to keep human interactions to a minimum level during this period.



Remote working, virtual meetings & online schooling

To ensure the continuity of operations, employees are now allowed to work remotely and conduct meetings virtually. With school closures, academic institutions are switching to online platforms for learning and development activities.



Shift to gig/self-employed economy

More and more impacted workforce are turning into gig economy platforms around the world to stand up on their feet and earn decent income. 1 in 4 in Malaysia are gig workers in 2019, the number is rising.



Employees upskilling & reskilling

With the majority of organisations encouraging or requiring employees to WFH, many employees take the opportunity to upskill and reskill themselves via available digital tools such as online courses and webinars.



Businesses as part of the broader solution

Being a corporate citizen, many businesses use their capabilities to support individuals or groups who are at the greatest risk through donations, volunteer opportunities as well as redistribution efforts for Personal Protective Equipment ("PPE") for frontliners and healthcare workers.

Post-transition, the Bank's game plan for sustainable growth is embedded in a 5-year strategic direction based on the six strategic pillars anchored on VBI principles of Sustainability – Real Economic, Triple Bottom Line, Client-Centred, Resiliency, Transparency and Value-based Culture.

The listing can potentially enhance the commercial viability of building blocks that have been identified for 2021 and catalyse a future of sustainable business growth. These include:



Integrated Wealth Management Business Model

Bank Islam aims to switch from a product-centric business focus to a holistic financial advisory vision. A revenue model based on the Islamic concept of profit-sharing can potentially attract new customers and assets, paving the way to fortify recurring non-fund-based income. It should result in higher revenue growth and customer base.



Growing the Green Economy

The Bank will intensify its focus on doubling the existing green portfolio throughout the 5-year roadmap.



Support the Real Economy

Bank Islam is focused on creating an enterprise business model with will shift towards an ecosystem beyond financing-centric, such as enabling a Halal economy platform. The Bank also aims to promote capital to help clients achieve sustainable growth, targeting larger business portfolios from corporate customers while boosting non-fund-based income. Greater synergy with Bank Islam's investment arm, BIMB Investment, is planned to attain new revenue streams through the growth of AUM.



Advance Digitalisation & Deployment of Digital Bank

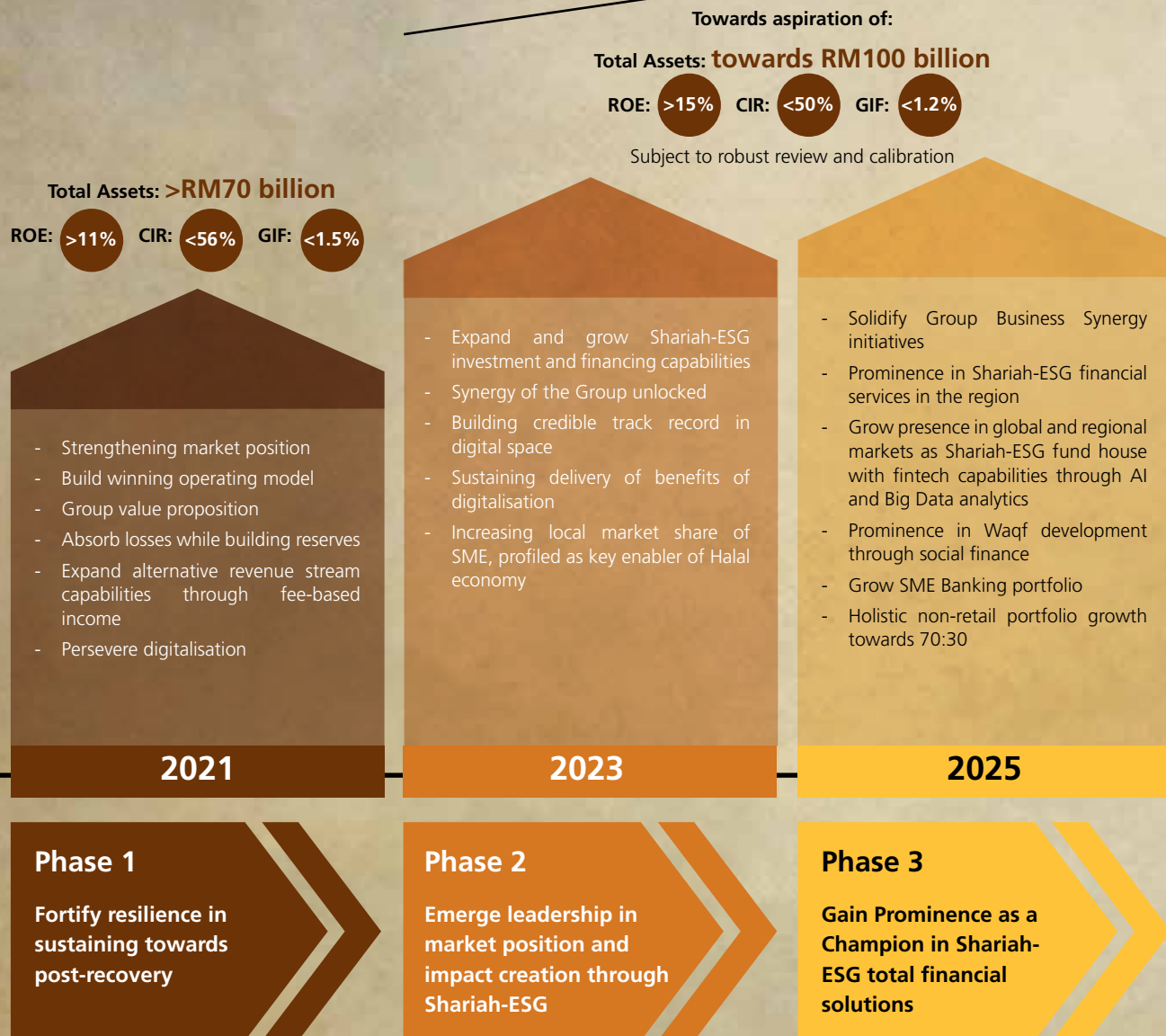
2021 will bring in strong execution of enhancements for customer-facing applications and the adoption of next-generation technologies and new business models premised on BaaS and SaaS to mitigate obsolescence. These implementations are geared towards catalysing the Bank's entrance into new markets and penetrating new segments.



Uplift Social Finance

Bank Islam aspires to lead the way in wealth circulation through social finance model that will bring about the positive impact on the livelihood of beneficiaries. The Bank will continue to nurture communities in need through direct funding of various game-changing projects and mobilising perpetual funds returns towards empowering micro-entrepreneurs. To date, Bank Islam has more than 3,000 beneficiaries since the inception of Sadaqa House, its social finance arm.

MANAGEMENT DISCUSSION & ANALYSIS



Our 5-year roadmap has targeted intervals in its journey.

CHALLENGES & OPPORTUNITIES: TAKAFUL MALAYSIA

Increased competition and digital leadership are key challenges for the Takaful market. However, Takaful Malaysia has been agile, highly adaptive and quick to execute effective business strategies in an increasingly competitive marketplace. During the year, Takaful Malaysia stayed at the forefront of the digital transformation in the Islamic insurance industry. They provide an enhanced and new range of products with cutting-edge features in addressing the consumers' suitable unmet protection needs. They remained a top agenda for delivering growth and spearheading the industry. The company's technological capability and innovative Takaful solutions, in addition to efficient service delivery, have enabled strong business partnership with its bank partners and other intermediaries to build more business.

Moving forward, Takaful Malaysia intends to constantly invest in new technology solutions and enhancing its digital capabilities. It aims to improve operational efficiency, customer support and sales opportunities to compete in the insurance and Takaful space, apart from developing a performance-oriented culture and good corporate governance to hone a competitive edge. Towards enhancing its digital agenda to empower clientele and improve customer experience, the key strategic focus includes introducing innovative online protection solutions, increased distribution capabilities, strategic collaborations with leading Islamic financial institutions, and advanced marketing strategies to strengthen brand-building efforts.

The upcoming transfer of listing shall enable Takaful Malaysia to take a long-term view of its business development and exploit the full range of its commercial strengths. It will produce sustainable growth in shareholder value, particularly Takaful Malaysia's flexibility to strengthen its existing strategic partnership and establish potential synergy with other Islamic financial institutions without potential concern from these institutions on rival competitors within the banking sector.

However, this will not reduce potential collaborations with Bank Islam as a strategic bancatakaful partnership with the Bank has already been established over the years. Furthermore, Bank Islam has been a premier bank partner in distributing Takaful Malaysia's extensive range of takaful solutions to its clientele via telemarketing and face-to-face distribution channels. Both companies are now starting to implement new business strategies and partnerships in penetrating retail banking customers for regular contributions within the new and strategic growth areas.

Propelling towards new milestones, Takaful Malaysia aims to strengthen its role and impact as the leading takaful operator by adopting practices, offerings, and conduct that generate positive and sustainable impact to the economy, community, and environment, in line with shareholder's sustainable returns and long-term interests. Its key focus will be on maintaining lower costs, better balance sheet supervision, and robust business growth, profitability, and financial position.

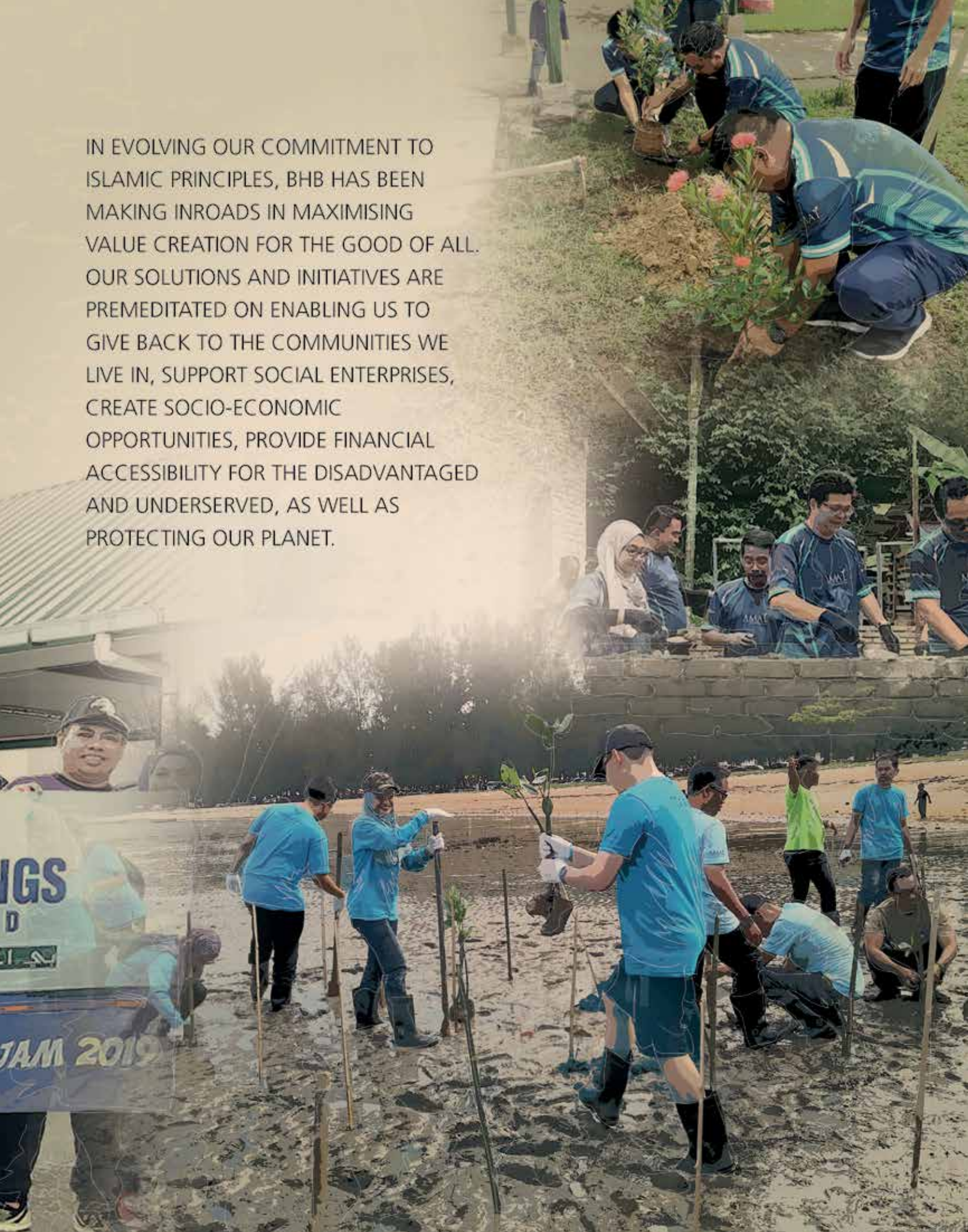
CHALLENGES AND OPPORTUNITIES: BIMB SECURITIES

As for BIMB Securities, post-transition, it plans to extend offerings to a more mixed balance of customer profiling from the Institutional and Retail Dealing, both domestically and foreign. This includes the AMSMF proposition to ensure sustainability and support for the retail-driven profile of Bank Islam group, with the increase in funds allocated for SMF and the introduction of new products. BIMB Securities also plans to offer global trading capabilities to Institutional clients by the second half of 2021 while, at the same time, increasing its international trade offerings to retail clients.

PAVING THE WAY FOR A SUSTAINABLE FUTURE



IN EVOLVING OUR COMMITMENT TO ISLAMIC PRINCIPLES, BHB HAS BEEN MAKING INROADS IN MAXIMISING VALUE CREATION FOR THE GOOD OF ALL. OUR SOLUTIONS AND INITIATIVES ARE PREMEDITATED ON ENABLING US TO GIVE BACK TO THE COMMUNITIES WE LIVE IN, SUPPORT SOCIAL ENTERPRISES, CREATE SOCIO-ECONOMIC OPPORTUNITIES, PROVIDE FINANCIAL ACCESSIBILITY FOR THE DISADVANTAGED AND UNDERSERVED, AS WELL AS PROTECTING OUR PLANET.



SUSTAINABILITY COMMITMENT

Overview

STATEMENT OF PURPOSE

Sustainability at BHB is about investing in the bright future of our organisation and ensuring that what we do makes a positive and lasting impact on our community, our economy and our country. We place high focus on creating long-term sustainable value for our stakeholders.

As we continue to forge ahead with the restructuring exercise where our operating units will conduct their businesses independently as pure-play entities, they will continue to be guided by the Islamic values that have made us such an attractive value proposition for our stakeholders. Those values are borne under the common philosophy of Maqasid Al-Shariah, which focuses on people's well-being through the preservation of **wealth, faith, lives, posterity and intellect**. At the same time,

it must be pointed out that the same values that characterised our adherence to the Shariah rules and principles are compatible with the characteristics of sustainability, and what should emerge with its implementation.

The cascading of those values to our operating subsidiaries will drive them to build a sustainable, resilient and progressive business that generates long-term value for its stakeholders. Through these, we aim towards inclusive growth that creates economic opportunities within our business and the communities we operate in while contributing to social progress and cohesiveness. At the same time, we strive to protect our precious planet and the natural resources that are crucial for the survival of the human race.

Contributing to the fight against COVID-19

Chief Executive Officer of BHB, Mohd Muazzam Mohamed (left) presents a mock cheque amounting to RM1 million for the Musa'adah COVID-19 Fund to Senator Datuk Seri Dr Zulkifli Mohammad Al-Bakri, Minister in The Prime Minister's Department (Religious Affairs) (right) on March 30.

Detailed information on BHB's contributions towards this cause can be found on page 110.



Our Approach to Sustainability

Since starting our sustainability journey in 2016, BHB has continued to review and refined our purpose to ensure that our ability to leverage on opportunities to contribute positively to the stakeholders. As we move into the transition to emerge the pure-play entities identify, our subsidiaries have been given the mandate to assess and manage economic, environmental and social risks, challenges, impact and opportunities within a robust governance framework as part of our commitment to sustainable and responsible growth.

Our operating subsidiaries are committed in integrating economic, environmental and social considerations in everything that we do. With the ability to focus and act independently to grow their respective businesses, our subsidiaries are steadfast in their obligation to contribute to the country's long-term and inclusive economic, social and environmental well-being.

As the leading financial institutions in their own respective fields, it is imperative that our subsidiaries continue to lead the way in growing the Islamic financial industry, seek progress for the community and create value for all stakeholders.

With Bank Islam set to have its own list status and Takaful Malaysia already a listed entity, each respective entity will draw guidance from the Bursa Malaysia Securities Berhad's Main Market Listing Requirements to achieve a better and more sustainable future for all. Bank Islam itself will continue its path in strengthening its VBI commitment and implementation, in line with what is envisioned by Bank Negara Malaysia, which is creating a strong Islamic financial market that is able to create a positive and sustainable impact to the economy, community and the environment.

SUSTAINABLE DEVELOPMENT GOALS

Part of our assessment process on what matters to us is influenced by the needs to address a number of global concerns as encapsulated within the United Nations' Sustainable Development Goals ("UNSDGs"). In addition to supporting business growth for the long term, we have laid out our Sustainability Framework to be aligned with UNSDGs, which comprises a set of "call-for-actions" adopted globally for building an inclusive, sustainable and resilient future for the people and planet.

Our action in implementing initiatives and business objectives that matched the outcomes as intended by UNSDGs is indicative of our commitment to elevate our Group's financial and social performance in a responsible manner. With the transition, the Group ensures that all operating units will continue to build strategies that create economic growth for the respective entities and the nation, and address a range of social needs and environmental issues including providing health, education and job opportunities. All the while, we are committed to leaving no one behind in our effort to advance communities and protect the environment, in line with the intents of the UNSDGs.



MINDFUL ABOUT MATERIAL MATTERS

In creating long-term value for our stakeholders, **Material Matters** are the most crucial as they influence the strategy and business direction of the Group. In coming up with the material matters, the following assessment process was implemented:



IDENTIFY

Material Matters were identified based on input from our operating units that include their business, operations and supporting arms, as well as feedbacks from our stakeholders. Matters identified impact the execution of our strategic plan and help steer the direction of the Group.



PRIORITISE

Material Matters were prioritised based on their significant impact on our strategy. The prioritisation will help us in making informed decision and executing our business plan, as well as delivering long-term value to the stakeholders.



INTEGRATE

Material Matters are integrated into our scorecard, which helps us determine the objectives and initiatives needed to create and deliver values to our stakeholders.

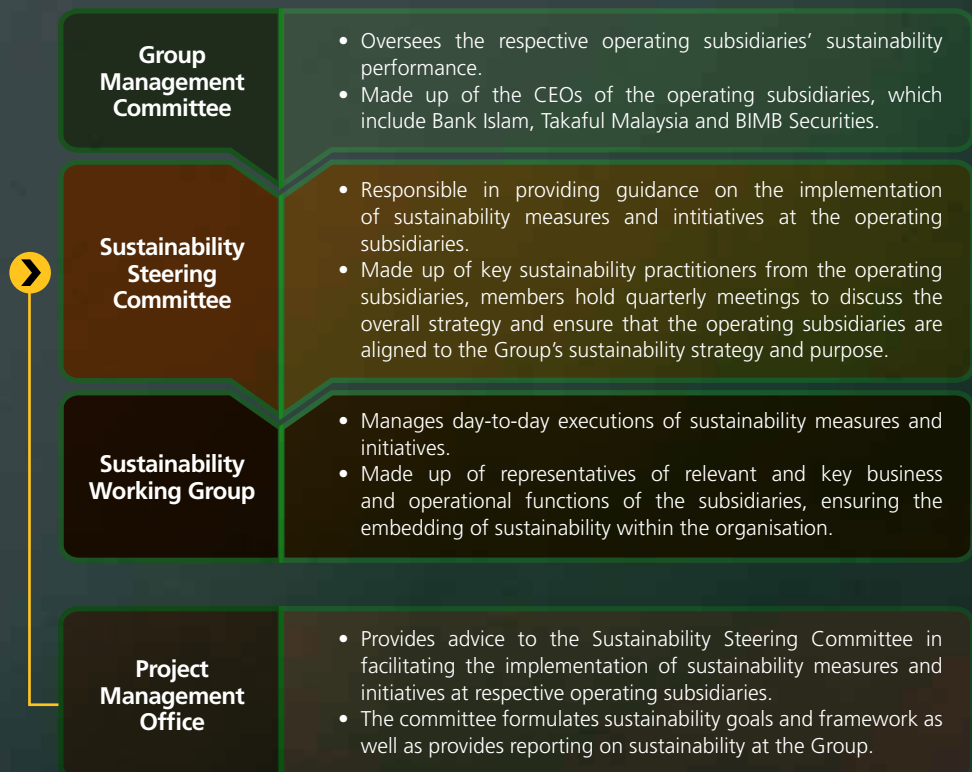
The UNSDGs were matched to our material matters with the purpose of serving the best interest of our stakeholders, and ensure that our actions are leaving no one behind and will create impact that leads to socio-economic progress of our business, the nation and society while ensuring protected natural environment and biodiversity. The Group's material matters are identified and prioritised as follows:

MATERIAL MATTERS		UN SUSTAINABLE DEVELOPMENT GOALS			
 RESPONSIBLE FINANCE	We commit ourselves to upholding our societal and environmental responsibilities by bringing to the market solutions that promote economic and social benefits. We make a conscious decision to design ethical products and incorporate integrity into our services for the good of all. We support ethical projects and ethical customers in catalysing a multiplier effect to the positive impact they bring.	 6 CLEAN WATER AND SANITATION	 7 AFFORDABLE AND CLEAN ENERGY	 8 DECENT WORK AND ECONOMIC GROWTH	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
		 11 SUSTAINABLE CITIES AND COMMUNITIES	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	 13 CLIMATE ACTION	 17 PARTNERSHIPS FOR THE GOALS
 INCLUSIVE GROWTH	We believe in equal opportunity for all by empowering the community. We are invested in making our financial products and services accessible to all. We ensure that our social initiatives can reach out to the disadvantaged and underserved communities and, in the process, enhance our relationships and contribute to socio-economic progress for the long term.	 1 NO POVERTY	 3 GOOD HEALTH AND WELL-BEING	 4 QUALITY EDUCATION	 7 AFFORDABLE AND CLEAN ENERGY
		 8 DECENT WORK AND ECONOMIC GROWTH	 10 REDUCED INEQUALITIES	 11 SUSTAINABLE CITIES AND COMMUNITIES	 14 LIFE BELOW WATER
		 15 LIFE ON LAND		 17 PARTNERSHIPS FOR THE GOALS	

MATERIAL MATTERS		UN SUSTAINABLE DEVELOPMENT GOALS
 TALENT ENRICHMENT	We are focused on supporting our employees throughout their professional lives by conducting various training sessions and development programmes, as well as promoting values that engender conducive working environment and performance-based culture. We listen to our staff to determine their needs, and value their skills and contributions through fair remuneration and career advancement initiatives.	  
 ETHICAL PRACTICE AND REPORTING	We are committed to doing the right thing and stand by our stakeholders in almost any circumstances. We are accountable and serve in their best interest through good business practices that uphold integrity, transparency and responsible products.	 
 ISLAMIC FINANCE AND KNOWLEDGE-SHARING	We have an intrinsic objective to grow knowledge and awareness of the Islamic banking and finance industry. We are also committed to advance the industry, and increase the uptake of our brand of Islamic banking and finance solutions beyond the region.	  

GOVERNING STRUCTURE

The Board of Directors has oversight of BHB and its cascading of the guiding principles that ensure the implementation of sustainability measures and initiatives across the operating subsidiaries of the Group. While Bank Islam is incorporating Value-based Intermediation (“VBI”) strategic priorities into its business operations to ensure sustainable growth and value delivery, a structure has also been put in place for the integration of Environmental, Social and Governance (“ESG”) matters across the business operations of the operating subsidiaries. The integration will serve as a valuable guidance for the formulation of the respective business strategies and will be crucial in ensuring long-term and sustainable growth of the respective subsidiaries in light of the restructuring exercise.



BUILDING RELATIONSHIPS

The incoming transition will lead to greater value for our stakeholders, with our soon-to-be pure-play entities (current operating subsidiaries) being empowered to focus on their individual businesses and pursuing their respective business goals. This should ensure improved performance and sustained business growth, which can only mean a brighter future for our stakeholders.

Through these pure-play entities, our commitment to act in the best interest of our stakeholders will remain undiminished where we are committed to building lasting relationships of mutual benefits.



Value delivered



Their needs and expectations



Our engagement and response

INVESTORS

We provide investors with relevant information that allows them to make informed investment decisions in our Group.



Investors will gain direct exposure to the banking and takaful businesses as a result of Bank Islam and Takaful Malaysia becoming two separate entities, giving them flexible investment preferences.

REGULATORS & GOVERNMENT

We contribute to the nation's economy and help advance the industry through combination of best business practices and sound governance.

With greater business focus, both Bank Islam and Takaful Malaysia will be able to place greater emphasis on assessing the issues surrounding their respective businesses and industries, and gain significant inroads in improving their implementations of policies and initiatives as outlined by regulatory bodies and authorities.

CUSTOMERS

We interact with customers to determine their needs and find the right financial solutions for them.

Customers should greatly benefit from the clear and distinct business focus, which will bring about improved decision-making process leading to better strategy execution and business performance as well as enhanced customer service.

EMPLOYEES

We keep our employees informed of our strategic priorities and guiding principles, and communicate with them to learn of their concerns.

Employees will be well-served with the commitment towards better people management and development, in addition to focus on improved talent-sourcing.

COMMUNITIES

We seek to become a good corporate citizen by engaging the society and community on addressing their issues and needs.

The transition will not lessen our positive impact on the communities, as both Bank Islam and Takaful Malaysia will continue to commit their resources for the good of the community and society.



- Progressive business strategy that ensures stable growth despite the current difficult environment
- Substantial investments value and returns in light of the restructuring exercise
- Transparent reporting and disclosures, including good governance
- Strategies and solutions that address the broader environment, social and governance ("ESG") issues



- Regular briefings on financial performance of the Group and the main operating subsidiaries
- One-on-one and group meetings with the analysts and members of the media to inform them of plans moving forward
- Public disclosures of information via the Group's and operating subsidiaries' annual reports and websites

- Business resiliency that ensures we continue to provide stability to the financial system
- Business innovation that ensures our contribution to the advancement of the Islamic financial industry
- Business capability and continuity that can effectively mitigate the effect of the pandemic on business goals and operations
- Compliance with regulatory and legal requirements
- Continued investment in the creation of positive socio-economic impact
- Responsible taxpayer

- Dialogue sessions with regulators and governing bodies on assessment of issues pertinent to the business, industry and regulations
- Provision of insights, advice and thought leadership on bringing the industry forward in capacity as leading Islamic financial products and services providers
- Active participation in industry-led forums and conferences

- Continued delivery of enhanced customer experience through delivery of innovative and accessible solutions allied with excellent service
- Assurance on the delivery of assistance to alleviate customers' difficulties during the pandemic
- Growing interest in responsible financial products that promote sustainability including sustainable investments and ESG-related financial solutions

- Focus on multiple communication channels for customers accessibility including enhancements of digital channels that include mobile application and website, in addition to call centres and physical branches
- Regular engagements with customers via relationship managers and officers, including senior management, to alleviate concerns brought about by the pandemic
- Conscious efforts to improve customers interactions through prompt follow-up to customer queries and feedback
- Focus on enhancing customers' interactions through Social Media platforms, including Facebook and Instagram
- Focus on improving the customer experience through workshops and satisfaction surveys

- Fair remuneration, effective performance management and recognition
- Opportunities for personal development and career advancement through access to beneficial training programmes
- Access to welfare and wellness programmes
- Safe and conducive working environment
- Opportunity to make a difference

- Active engagement between senior management and employees through townhalls and virtual sessions, which are instrumental in apprising the employees of the restructuring exercise and their continued importance to soon-to-be pure-play entities
- Employee Engagement Surveys to gauge employee's understanding and reception of the Group's business plan and direction, including the level of engagement between staff and their superiors
- Focus on inculcating corporate core values amongst employees towards improving working culture via various communication channels; including training sessions, virtual communication platforms and newsletters

- Continued investment in the well-being of the disadvantaged and underserved segments of the community
- Allocation of resources to assist those affected badly by the pandemic, especially among the unbanked, to participate in economic activities and make a decent living during difficult times
- Partnership with NGOs and other institutions in addressing social and environmental concerns, and meeting UNSDGs

- Reaching out to the disadvantaged and underserved communities to facilitate enterprise solutions and business knowledge to enable them to surmount difficulties caused by the pandemic
- Engagement with industry leaders to understand specific challenges arising from the pandemic, and establishing knowledge-sharing initiatives with the public
- Connecting with government bodies and social agencies in facilitating positive-socio-economic impact on targeted communities
- Engaging the communities in affecting progress of their wellbeing and promoting active socio-economic participations as aligned with UNSDGs

A DISTINCT BUSINESS MODEL

Our Capitals...

KEY DRIVERS OF OUR BUSINESS MODEL



ECONOMIC ENVIRONMENT

Management and monitoring of the difficult environment, and investment for the creation of better impact on our businesses and society for the long term



REGULATORY LANDSCAPE

Implementation of strong governance framework and oversight incorporating strong risk management aptitude and compliance capability



COMPETITIVENESS

Emphasis on innovation for leading-edge financial products, services and channels, including digital transformation for a simpler, faster and intuitive financial solutions provider

INPUT



FINANCIAL



INTELLECTUAL



HUMAN CAPITAL



INFRASTRUCTURE

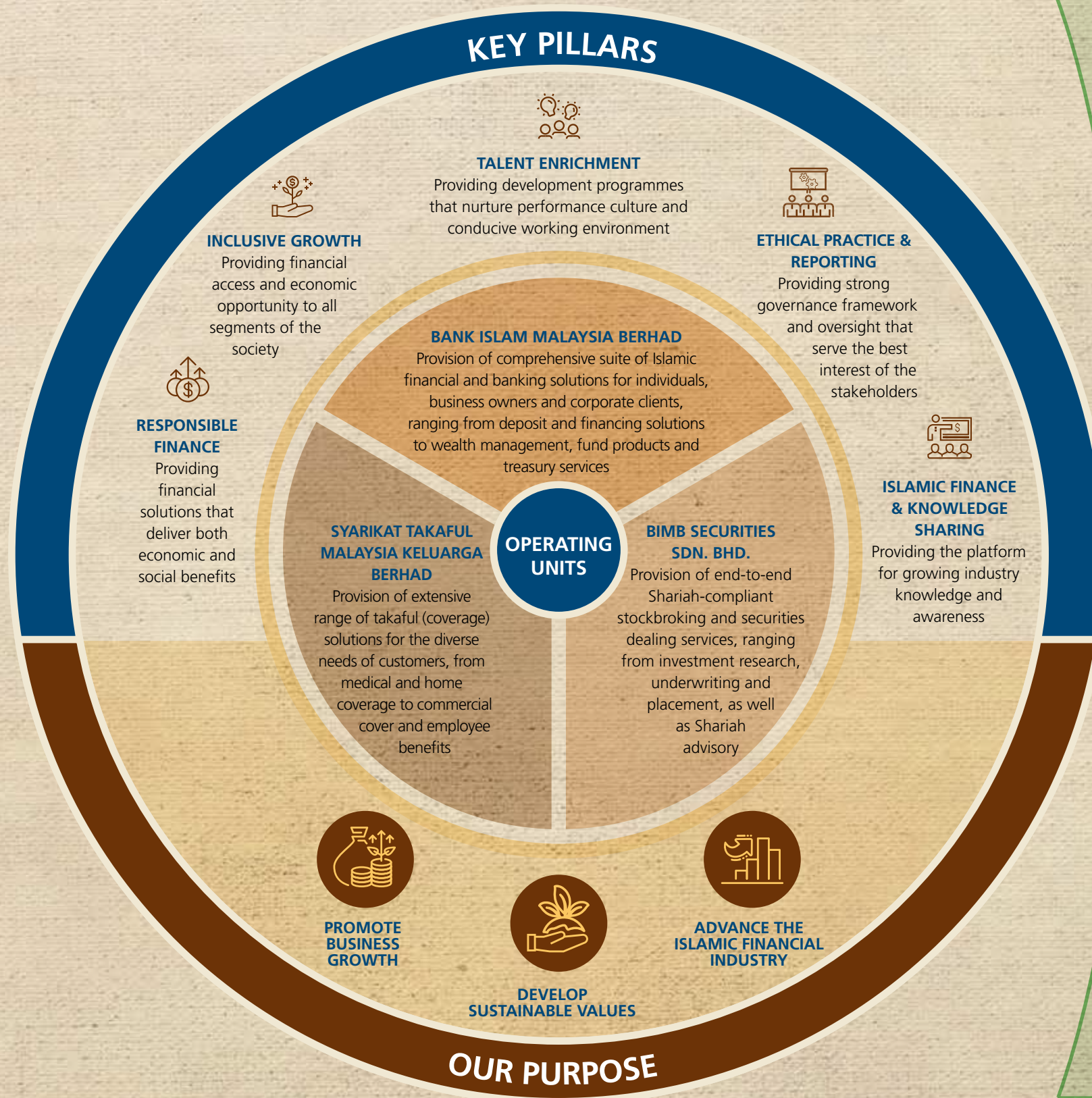


SOCIETY & CUSTOMERS



NATURAL

...align with the Group's key pillars and purpose;
enabling our operating units...



...to create value for our stakeholders

OUTCOMES



INVESTORS

- Market capitalisation of **RM7.6 billion** as at end December 2020 (RM7.8 billion as at end December 2019)
- RM225.9 million** dividend paid out (2020)
- Dividend yield of **3.0%**
- DRP subscription rate of **91%**



REGULATORS & GOVERNMENT

- Compliance with all regulatory requirements
- Contribute to domestic economic growth and financial stability of the country
- RM179.97 million** of tax contribution



EMPLOYEES

- More than **RM751 million** paid in employee remuneration
- More than **136,000** training hours achieved for employees
- More than **150** new employment opportunities created
- More than **495** employees promoted
- More than **50** employees certified with professional certifications
- Employee retention rate of BHB Group:
 - BHB: 100%
 - Bank Islam: 97%
 - Takaful Malaysia: 93.18%
 - BIMB Securities: 96%



CUSTOMERS

Bank Islam

- Serves more than **4.4 million** customers
- More than **RM5.4 billion** paid in new personal financing
- More than **RM2.5 billion** paid in new home financing
- More than **RM278 million** paid in new vehicle financing
- Widest ESG Funds Offering across asset classes in Malaysia covering Global equities, Asia Pacific equities, Malaysia equities and Global Sukuk
- Strategic partnership with SnapNPay for ease of transactions

Takaful Malaysia

- Serves more than **3 million customers**
- 23% market share** in the Family Takaful business
- 24% market share** in the General Takaful business
- RM269.5 million** of no claim payments made since 2009
- No claim payments of **RM9.5 million** in 2020

BIMB Securities

- Garnered **1,533** new Retail Clients in 2020
- Formed Customer Support Digital Marketing ("CSDM") Section under Retail Dealing in October 2020 to spearhead the digital marketing initiatives
- Continuous enhancements of iTradeSS back office system to cater for automation of processes for ease of account opening and client credit control
- Completed the Live Implementation of BTX System integration with Bloomberg which will assist Institutional clients on monitoring their own order status real-time instead of waiting for dealers to update the order status in Bloomberg
- Distribution and sharing of investment research and stock analysis to **25** major Institutional Clients
- Daily market updates and Market Insights via Telegram, Whatsapp and Facebook to more than 5,000 Retail clients
- Virtual workshops conducted for Retail clients
- Virtual Knowledge Sharing sessions conducted for Institutional clients



SOCIETY & COMMUNITY

- More than **RM2.2 billion** of financing disbursed under the Green Financing initiative
- More than **RM2.8 million** of zakat fund distributed for the benefit of the disadvantaged and underserved communities
- More than **5,000** beneficiaries under CSR and zakat initiatives



FINANCIAL

- **RM7.2** billion in total equity
- **RM2.6** billion in Sukuk liabilities
- **100%** stake in Bank Islam with **RM5.4 billion** investment
- **59.2%** stake in Takaful Malaysia with **RM99.1 million** investment
- **100%** stake in BIMB Securities (Holdings) with **RM37.7 million** investment
- **49%** stake in BIMB Securities with **RM34.9 million** investment
- **100%** stake in Syarikat Al-Ijarah with **RM12.8 million** investment
- Flexibility to access the capital market



INTELLECTUAL

- Well-known brands of pioneering and leading Islamic financial solutions provider
- Strong franchise value as the premier Islamic Financial Holding Company
- Extensive suite of diversified and fully Shariah-compliant products and services, which represents pure Islamic financial solutions covering every fields and meeting every needs
- Enhanced value propositions through partnerships with key institutions, organisations and public agencies
- Respective operating units are acknowledged as the leading organisations within the their respective business sectors



HUMAN CAPITAL

- Diversified composition of more than **5,700** employees
- More than **RM4.8 million** invested in employees' capability and capacity enhancement
- More than **RM296,000** invested in work-life balance activities
- Strong leadership within the operating units with highly qualified professionals certified to operate in the field
- Strong governance and compliance culture with emphasis on Islamic values that promote trust, integrity and acceptable working culture



INFRASTRUCTURE

- **144** Bank Islam branches nationwide with **954** ATMs
- **24** Takaful Malaysia service centres nationwide and **2** oversea offices in Indonesia
- Focus on delivery of solutions through digital channels including enhancement of mobile applications and online solutions



SOCIETY & CUSTOMERS

- More than **6,600 man-hours** spent by the Group's volunteers for CSR activities
- One of the most trusted financial institutions in the country with solid stakeholder relationships
- Embracing the principles of the UNSDGs and ESG when conducting both business and corporate initiatives



NATURAL

- Continued focus on facilitating financing for corporations investing in green and renewable energy solutions
- Emphasise on social activities with environmental impact
- Electricity and paper usage reduction measures across the Group

DELIVERING VALUE

BHB's purpose is to meet society's financial needs in the most sustainable and ethical manner possible, by nurturing resources to generate positive Economic, Social and Environmental outcomes for our stakeholders.



INTELLECTUAL CAPITAL

The strong brand and differentiating factor of our respective operating units within the Islamic financial and banking sphere drive our business success.



- Strong franchise value as an Islamic financial holding company



- Synergistic relationship within the operating units offering:
 - **Unique value propositions**
 - **Continuous innovations**
 - **Strategic collaborations**



FINANCIAL CAPITAL

Our strong capital and the diversified businesses of our operating units enable us to continue supporting our stakeholders.

RM7.2 billion in total equity

RM2.6 billion in Sukuk liability

100% stake in Bank Islam with **RM5.4 billion** investment

59.2% stake in Takaful Malaysia with **RM99.1 million** investment

100% stake in BIMB Securities (Holdings) with

RM37.7 million investment

49% stake in BIMB Securities with **RM34.9 million** investment

100% stake in Syarikat Al-Ijarah with **RM12.8 million** investment

Flexibility to access the capital market



INFRASTRUCTURE CAPITAL

Our physical infrastructure creates accessibility for the wider audience, while our current emphasis on digital channels emerges better convenience as well.



- Dedicated network of branches, business centres, touch points and digital channels offered through operating units



HUMAN CAPITAL

Through training and learning experiences as well as other benefits such as a conducive work environment, our employees are motivated to serve for the betterment of the organisation and our customers.



- Strong leadership within the operating units



- Diversified composition of more than **5,700** employees



- Highly qualified professional employees, certified to operate in the industry



- More than **RM4.8 million** invested in employees' capability and capacity enhancement



- More than **RM296,800** invested in work-life balance activities



SOCIAL & RELATIONSHIP CAPITAL

We play our role in advancing the nation's Islamic financial sector by catering to their specific needs, and create solutions that benefit all while harming none.



- Employees volunteerism efforts with **6,627** man-hours spent on CSR activities



- More than **RM2.8 million** of zakat fund distributed (wakalah)



NATURAL CAPITAL

We continue to take into account the impact of our businesses, as well as that of our business partners, on the environment, and strive to minimise negative impacts.



- Participation in driving sustainability agenda
 - Social Responsible Investment ("SRI"); Environment, Social, Governance ("ESG") fund products, etc.



- Electricity saving measure



- Reducing paper consumption



- Participation in environmental preservation programmes

DELIVERING VALUE

VALUE FOR THE STAKEHOLDERS



INVESTING COMMUNITY

- **Decrease** in share price by **3.2%**
- Market capitalisation of **RM7.6 billion** as at end December 2020 (RM7.8 billion as at end December 2019)
- **RM225.9 million** dividend paid out (2020)
- Dividend yield of **3.0%**
- DRP subscription rate of **91%**

Note:

- Return on Equity (after tax) of **12.8%**
- Share price of **RM4.26** as at end December 2020 (RM4.40 as at end December 2019)
- Net assets per share of **RM3.63**
- Price to book of **1.1x**
- Earnings per share of **40.21 sen**
- Price earnings multiple of **10.6x**



SUBSIDIARIES



	Revenue	PBZT/ (LBZT)	Dividend Paid Out
Bank Islam	RM3,342.2 million	RM728.2 million	RM293.8 million
Takaful Malaysia	RM2,957.2 million	RM426.8 million	RM99.7 million
BIMB Securities	RM9.6 million	(RM2.3 million)	Nil

- Sustained strong capital adequacy



CUSTOMERS

Bank Islam

- Serves more than **4.4 million customers**
- Paid more than **RM5.4 billion** in **new personal financing**, more than **RM2.5 billion** in **new home financing** and more than **RM278 million** in **new vehicle financing**
- Widest ESG Funds Offering across asset classes in Malaysia covering Global equities, Asia Pacific equities, Malaysia equities and Global Sukuk
- Strategic partnership with SnapNPay for ease of transactions

Takaful Malaysia

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BIMB Securities

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- Daily market updates and Market Insights via Telegram, Whatsapp and Facebook to more than 5,000 Retail clients
- Virtual workshops conducted for Retail clients
- Virtual Knowledge Sharing sessions conducted for Institutional clients



THE INDUSTRY

Islamic Banking

- ▶ One of the founding members of Community-of-Practitioners for Value-Based Intermediation
- ▶ Driving the growth of Investment Account
- ▶ Spearheading the development of Waqf with the states' religious authorities
- ▶ Facilitating the social finance agenda through Sadaqa House
- ▶ Introduction of ESG & Shariah-compliant funds
- ▶ Contribution of Islamic finance textbooks in collaboration with Malaysian Institute of Accountants

Takaful

- ▶ Launch of Click for Cover application, a mobile application for online takaful application and services
- ▶ Introduction of Takaful *myClick* MozzCare, Takaful *mySinar* PA, Takaful *myWealth* Plus and Takaful *mySME* for wider portfolio of Takaful offerings
- ▶ 24 Takaful Malaysia service centres nationwide including two (2) overseas subsidiaries in Indonesia; PT Syarikat Takaful Indonesia and PT Asuransi Takaful Keluarga

Stockbroking

- ▶ Promoting awareness of Shariah investment through *Jom Labur* Shariah



THE SOCIETY & COMMUNITY

- ▶ More than **RM2.25 billion** of financing under the responsible financing initiatives as at December 2020
- ▶ More than **5,000 beneficiaries** under CSR and Zakat initiatives
- ▶ **RM179.97 million** paid in corporate taxes
- ▶ Electricity usage

	2020	2019
Bank Islam HQ	2,834,797 kWh	2,903,977 kWh
Takaful Malaysia	5,785,190 kWh	6,576,329 kWh
BIMB Securities	165,455 kWh	162,422 kWh

- ▶ Paper consumption

	2020	2019
Bank Islam HQ	19,084 reams	19,320 reams
Takaful Malaysia	2,271 reams	5,114 reams
BIMB Securities	700 reams	715 reams

- ▶ **312 SLIM/Protege trainees absorbed** since 2014

PTPTN number of transaction and successful payment in year 2020

- No. of transactions = More than 556,000
- Total payment = More than RM1.4 billion



EMPLOYEES

- ▶ Participation in work-life balance activities
- ▶ More than **RM751 million** paid in employee remuneration
- ▶ More than **136,000** training hours achieved for employees
- ▶ More than **150** new employment opportunities created
- ▶ More than **495** employees promoted
- ▶ More than **50** employees certified
- ▶ Employee retention rate of BHB Group:
 - BHB: 100%
 - Bank Islam: 97%
 - Takaful Malaysia: 93.18%
 - BIMB Securities: 96%
- ▶ Commitment to workforce diversity

RESPONSIBLE CORPORATE CITIZENSHIP

The year under review has seen communities grappling with unparalleled challenges after being hard-hit by the COVID-19 pandemic. We supported impacted communities in myriad ways – by providing meals and essential items to those in need, monetary contributions to individuals and families affected badly by the pandemic, as well as support to social organisations. Our operating subsidiaries, notably Bank Islam, through its AMAL corporate responsibility arm, and Takaful Malaysia, have been doing their part as responsible corporate citizens in granting them help and hope in their time of need.

AMAL Prihatin Relief in Sabah

During the year under review, the state of Sabah experienced a sharp increase in the number of COVID-19 cases. Bank Islam directed its efforts to ensuring the wellbeing of the populace by contributing **RM42,000** during the first wave of the pandemic. An additional **RM100,000** was contributed during the second wave of the pandemic, of which:

- **RM20,000** was channelled to frontliners in four districts – **Tawau, Lahad Datu, Sandakan** and **Kota Kinabalu** – in the form of food supplies, drinks and other necessities.
- **RM80,000** was distributed to 800 affected families in five districts – **Tawau, Lahad Datu, Tuaran, Sandakan** and **Semporna** – in the form of basic necessities. The identification of families and distribution process were done through collaborations with **Lahad Datu District Police Headquarters, Fisheries Development Authority of Malaysia (LKIM) Sabah, Persatuan Skuad Komuniti Prihatin Sabah, Pertubuhan Kebajikan Anak Leluhur Nusantara Negeri Sabah** and **Pertubuhan Kebajikan Anak Impian Malaysia (Borneo Komrad)**.



Aid for Shelter Houses

The implementation of the Movement Control Order ("MCO") made it hard for shelter homes to obtain basic provisions, including much-needed food for their occupants. In view of this, Bank Islam collaborated with **Yayasan Food Bank Malaysia** in helping to deliver food supplies, including rice, cooking oil, coffee, tea, sugar, salt and soy sauce to **11** selected shelter homes across the country.



Relief for Medical Workers

Bank Islam provided relief for medical workers at 19 hospitals across the country. The contributions came in the form of basic necessities and appliances such as industrial and cooler fans, relaxing chairs, air conditioners, sofa beds, tables, kettles, pillows, mattresses and mats. The aim was to provide comfort for these frontline workers as they continue to work tirelessly in treating the populace.





Protecting Frontline Workers

The pandemic necessitated the increased usage of Personal Protection Equipment ("PPE") at a number of hospitals throughout the country. Bank Islam took action in alleviating the matter by collaborating with the prison departments, namely **Jabatan Penjara Penor** in Pahang and **Jabatan Penjara Wanita Kajang** in Selangor, to produce sufficient number of PPE for hospitals in need. Utilising the sewing and stitching skills of the inmates at both prison establishments, about 5,000 PPEs were produced for distribution to five hospitals within the Red Zone area. The initiative was implemented with cooperation from other organisations as well, including **Yayasan Food Bank Malaysia**, **National Disaster Management Agency** and **Jabatan Kerja Raya (Department of Public Works)**. All in all, Bank Islam contributed about RM120,000 to the realisation of this initiative.

Additionally, Bank Islam provided support to 40 families of selected employees from **Jabatan Penjara Penor**. About **RM10,000** was contributed to these families, in addition to a direct donation of **RM5,000** to the prison department, with the purpose of assisting the management in conducting activities that benefited the inmates during the month of Ramadan.

Supporting Media Organisations

In covering the latest updates on the pandemic, the media's role has been essential. Journalists, together with the production crew, are working around the clock to provide the public with facts and figures related to efforts in combating the coronavirus. To ease the pressure of their job in keeping the public informed daily and accurately, Bank Islam distributed packed food to RTM, BERNAMA, TV Alhijrah and KLFM.



During the Ramadan month, the Bank once again contributed food packs for the convenience of its media friends who still needed to attend to their duties while performing their fasting obligation. These iftar packs were distributed to media organisations that included the NSTP Group, RTM, Bernama, Astro Awani, Sunshine, Prima Media Group, TV Alhijrah, MalaysiaKini, Malaysia Gazette, The Malaysian Reserve, IKIM Radio and also The Star.



Relief for Police Officers

Knowing their heavy responsibility, Bank Islam reached out to police officers who have been working tirelessly in ensuring public safety during the pandemic. More than **900** lunch food packs were delivered to **Polis Diraja Malaysia ("PDRM")** personnel at the police stations as well as to those stationed at road blocks across the country.

Additionally, **100** sets of PPE were also distributed to police officers to ensure their own safety against the COVID-19 virus.

RESPONSIBLE CORPORATE CITIZENSHIP

AMAL Self-Care Kits

In conjunction with the Merdeka 2020 celebration recently, Bank Islam distributed its AMAL Prihatin Merdeka Pack self-care kit containing a special edition AMAL Face Mask, hand-sanitiser and anti-bacterial wet wipes to:

- **BungkusiT** riders
- **Menara Bank Islam** security personnel
- Teachers at **Menara Bank Islam's Taska**
- Members of **Persatuan Orang Cacat Penglihatan Islam Malaysia** at **Pusat Terapi Refleksologi Abdullah Ummu Maktoum**
- **Surau Wakaf Ahmad Dawjee Dadabhoy ("SWADD")** committee members
- Media friends at **Wisma Berita, Angkasapuri**
- Media friends at **Seri Pentas, Media Prima**

The distribution of the self-care kits was also followed by distribution of food packs to every recipient.



AMAL B40 – Assistance for Micro Entrepreneurs

Moved by the plight of people impacted by the pandemic, AMAL initiated a special AMAL B40 programme to offer assistance to the bottom 40% low income earners ("B40") segment who have been more affected than other segment brackets. AMAL managed to channel **RM320,000** to more than **1,200** recipients across the country with the help of strategic partners such as **Amanah Ikhtiar Malaysia ("AIM")**, **Majlis Agama Islam Negeri** and **Jabatan Kebajikan Masyarakat** (Department of Community Welfare).

Providing Essential Goods to B40 Communities

Takaful Malaysia collaborated with **Taylor's Community**, a consolidated CSR platform for Taylor's Education Group via a community-based project. This was to disburse essential goods and deploy an online module in fostering family bonds among the B40 communities in the face of the pandemic challenges. The joint corporate social responsibility ("CSR") project aimed at to provide a helping hand to **B40 families** who faced challenges in making ends meet during the government mandated MCO period.



Lending a Helping Hand

In the face of the COVID-19 outbreak and the MCO lockdown, Takaful Malaysia via its charity fund fulfilled the company's brand promise of 'We Protect. We Care. We Share'. As an Islamic insurance company, the company understood how devastating the financial and emotional impact could be among the underserved. As part of its on-going community-based initiative, Takaful Malaysia distributed a total of **RM81,000** to recipients such as underprivileged students, orphans, people with special needs and single mothers.



Contribution in Support of the Star Frontliners Initiative

Takaful Malaysia provided financial aid amounting to **RM100,000** towards **the Star Foundation-Medical Fund** in support of the Star Frontliners Initiative, a campaign organised by the Star Media Group through its charitable arm, Star Foundation. The donations collected via the fund were utilised for the purchase of medical supplies for designated hospitals and frontliners who safeguard the safety of communities.

THE IRAL, TUESDAY 10 APRIL 2020

Report by LOH POON FONG, PARTHY CARLINA, HEMANANTH SIVANANDAM and ASHLEY TANG

Nation 3

RM100,000 from Takaful Malaysia

Islamic insurance company contributes to fund to help frontliners



Good initiative: Takaful Malaysia group chief executive officer Hassan Ibrahim (left) moves to help medical professionals.

PUTRAJAYA: Takaful Malaysia, an Islamic insurance company, has contributed RM100,000 to the fund to help frontliners.

The campaign was launched by the Media Group (MAG) through its charity arm, The Edge Foundation, to raise funds for the purchase of medical supplies to be sent to hospitals and frontliners in fighting the COVID-19 outbreak in Malaysia.

"As an insurance company, we are exceptionally supportive of the fundraising initiative organised by the Edge Foundation to help medical professionals in their fight against the COVID-19 outbreak," said Hassan Ibrahim, CEO of Takaful Malaysia.

"We hope our monetary contribution will help to support the health Ministry and ease the shortage of medical supplies faced by government hospitals in providing screening and treatment for COVID-19 patients," he said.

With the financial from MAG to Takaful, the fund currently stands at RM1,124,775.

the clock in battling the COVID-19 outbreak," said Takaful Malaysia group chief executive officer Hassan Ibrahim (left) moves to help medical professionals.

"We have the greatest respect for their unrelenting courage."

"The frontliners are putting themselves at risk while working in the face of the unknown in helping to bring down the number of people infected with the virus."

"We hope our monetary contribution will help to support the health Ministry and ease the shortage of medical supplies faced by government hospitals in providing screening and treatment for COVID-19 patients," he said.

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an additional RM100,000 for a long-term fund to help medical professionals in the future.

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Caring for Underprivileged Children

Takaful Malaysia visited Rumah Perlindungan Teratak Nur Insan ("Rumah Nuri") which houses about 100 underprivileged children from various backgrounds. Through its charity fund, the company provided financial assistance to Rumah Nuri amounting to **RM10,000** to accommodate the monthly expenses needed for the home's day-to-day operations and the children's needs which included school, medical, and other related expenses.

Financial Aid to Purchase Medical Equipment and Supplies

Takaful Malaysia donated **RM250,000** to the **Media Prima-NSTP Humanitarian Fund**, a campaign initiated by the Media Prima Group to collect funds aimed at providing financial aid for the purchase of critical medical equipment and supplies required to take care of patients, apart from protecting the frontliners who work tirelessly during the outbreak.

The Edge Covid-19 funds now at RM23.775m

BY THE EDGE

KUALA LUMPUR: A few more large contributions have been pledged to The Edge Covid-19 Equipment Fund and The Edge Covid-19 Health Care Workers Support Fund, bringing the total donations from Corporate Malaysia to RM23.775 million.

The equipment fund has RM41.775 million pledged, while the health care workers fund has reached RM410 million.

Among the new contributors were Lee Foundation (Singapore) with RM4.5 million, RM450,000 to buy equipment and RM200,000 to support 10 frontline healthcare workers who fell sick. Syarikat Takaful Malaysia (Takaful Malaysia) pledged RM150,000 to support 10 frontline healthcare workers who fell sick. Syarikat Takaful Malaysia (Takaful Malaysia) pledged RM150,000 to support 10 frontline healthcare workers who fell sick.

Takaful Malaysia, Takaful group chief executive officer Hassan Ibrahim (left) moves to help medical professionals.



Sharing is Caring

As part of an on-going community-based initiative in nurturing a caring society, Takaful Malaysia always steps forward to offer monetary contributions to needy families, communities and school children. Towards this end, the company distributed a total of **RM168,200** to selected deserving recipients within the community including underprivileged students, orphans and individuals who were affected by the COVID-19 outbreak.



Monetary Contribution in Support of Fight against COVID-19

Takaful Malaysia contributed a sum of **RM500,000** towards The Edge COVID-19 Equipment and Health Care Workers Support Funds organised by The Edge Media Group in support of the fight against the pandemic in the country. The monetary contribution made to both funds were utilised to purchase medical equipment and provide financial assistance to healthcare workers who are infected whilst caring for COVID-19 patients.

Donation towards the COVID-19 Fund

Takaful Malaysia contributed a sum of **RM50,000** towards the COVID-19 Fund organised by the **Ministry of Health** ("MOH") in the face of the outbreak in the country. The financial assistance provided via Takaful Malaysia's charity fund was utilised for the purchase of medical necessities to ease the shortage of medical supplies faced by government hospitals designated to provide screening and treatment for COVID-19 patients.



Created action plans for **Section 17A** of the Malaysian Anti-Corruption Commission Act and the **National Anti-Corruption Plan**; and established the **Anti-Bribery and Corruption Policy**.



Towards **ISO 37001** Anti-Bribery Management Systems certification, customised in-house **Virtual Directors' Training** was organised to cover aspects of Corruption Risk and Anti-Money Laundering



Organised Virtual Directors' Training on the **impact of COVID-19** on the economy.



Successfully embarked on the **first fully virtual Annual General Meeting ("AGM")** held on 26 August 2020.



Achieved the following MSWG rankings:

No 6 for Industry Excellent Award-Financial Services

No 17 for CG Disclosure

No 13 for Overall & CG Performance





ADHERING TO THE BEST GOVERNANCE PRACTICES

BHB SERVES THE BEST INTERESTS OF OUR STAKEHOLDERS
THROUGH GOOD GOVERNANCE AND CONDUCT AS WELL AS
BY PERPETUATING INTEGRITY AND TRANSPARENCY. STANDARDS
OF GOVERNANCE ARE CONTINUOUSLY ELEVATED TO ENSURE
WE DO RIGHT BY OUR STAKEHOLDERS.



SHARIAH-COMPLIANT CONFIRMATION STATEMENT

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيدنا محمد، الذي أرسله الله رحمة للعالمين، هاديا مهديا،

‘Salam Sejahtera’ and السلام عليكم ورحمة الله وبركاته

In carrying out the roles and responsibilities of the Shariah Committees, as prescribed in the policy documents and guidelines issued by the regulators namely Bank Negara Malaysia, Securities Commission Malaysia and Bursa Malaysia Securities Berhad for the respective financial industries and in compliance with our letters of appointment, we on behalf of the Shariah Committees of the respective Companies within BIMB Holdings Berhad Group, namely Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Keluarga Berhad and BIMB Securities Sdn. Bhd. hereby submit the following confirmation for the financial year ended 31 December 2020.



The Management of the respective Companies is responsible to ensure that the conducts and businesses of each of the Companies are in accordance with Shariah rules and principles, and it is our responsibility to form an independent opinion based on our review on the respective Companies and thenceforth produce this Confirmation Statement.

We have reviewed, inter alia, products, transactions, services, processes and documents of the respective Companies to ensure its compliance with Shariah. In performing our roles and responsibilities, we had obtained all the information and explanation which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the respective Companies have complied with Shariah.

At the Management level, the Companies have implemented Shariah governance practices in compliance with guidelines that are relevant to the respective industries, which include Shariah Governance Policy Document issued by Bank Negara Malaysia and Best Practices in Islamic Stockbroking Services Undertaken by Participating Organisation issued by the Bursa Malaysia Securities Berhad. Such governance practices include the establishment of secretariat of the Shariah committee and internal Shariah control functions encompassing Shariah audit, Shariah risk management and Shariah review to facilitate and support new product development activities, Shariah research, Shariah training, management of Shariah non-compliance risks, Shariah audit, Shariah review and the necessary coordination with us on matters that require our decision.

We have assessed the Shariah review and Shariah audit reports presented to us and have examined, on a test basis, the transactions, relevant documentation and procedures adopted by the Management of the respective Companies. Our assessments were planned and performed in a way that would ensure all the information and explanations considered necessary were obtained in order to provide us with sufficient evidence to give reasonable assurance that the respective Companies have not violated Shariah.

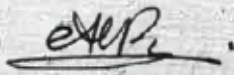
We also confirm that every incident of Shariah non-compliance event has been brought to our attention and we have subsequently noted that the corrective as well as preventive measures have been taken by the respective Companies in order to avoid the same from occurring in the future. Any Shariah non-compliant income has also been disposed of to charitable causes upon approval by us.

We had also reviewed the computation and payment of Zakat by the respective Companies.

In relation to the above, based on the information provided and disclosed to us, we, the Chairmen of the Shariah Committees of the said respective Companies within BIMB Holdings Berhad, do hereby confirm that, to the best of our knowledge, the businesses, operations and activities of the respective Companies for the year ended 31 December 2020 had been conducted in conformity with Shariah.

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

Allah knows best.



**PROFESSOR DATO' DR AHMAD
HIDAYAT BUANG**
Chairman
Shariah Supervisory Council
of Bank Islam Malaysia Berhad



**PROFESSOR DR MUHAMAD
RAHIMI OSMAN**
Chairman
Shariah Advisory Body of Syarikat
Takaful Malaysia Keluarga Berhad



**PROFESSOR EMERITUS
DATO' DR MAHMOOD ZUHDI HAJI
ABDUL MAJID**
Chairman
Shariah Advisory Committee
of BIMB Securities Sdn. Bhd.

Dear Shareholders,

ON BEHALF OF THE BOARD (THE “**BOARD**”) OF DIRECTORS (THE “**DIRECTORS**”) OF BIMB HOLDINGS BERHAD (“**BHB**” OR THE “**COMPANY**”), I AM PLEASED TO PRESENT THE BHB CORPORATE GOVERNANCE OVERVIEW STATEMENT OF 2020.

THE YEAR 2020 WAS A CHALLENGING YEAR FOR THE FINANCIAL INDUSTRY AS A WHOLE. THE IMPACT OF THE COVID-19 PANDEMIC WAS FELT RIGHT ACROSS THE BHB GROUP, AS IT DID ACROSS THE WORLD. AS A RESULT, BUSINESSES WERE REQUIRED TO TAKE A WHOLE NEW APPROACH IN HOW TO DO BUSINESS WITH KEY FOCUS TRANSITIONING TO THE HEALTH AND WELLBEING OF OUR PEOPLE AS WELL AS THE CUSTOMERS. WE TOOK SWIFT MEASURES TO ENSURE A SAFER WORKING ENVIRONMENT FOR ALL OUR STAFF BY REDUCING HEADCOUNT AT THE WORKPLACE THROUGH WORK FROM HOME ARRANGEMENTS AND IMPLEMENTING SOCIAL DISTANCING GUIDELINES, WITHOUT COMPROMISING ON THE QUALITY AND TURNAROUND TIME.



CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

From the start of the year, the Management introduced initiatives to cater for electronic and paperless meetings ("**e-meeting**") which have proven to be very effective during the pandemic. Throughout the year, the Board and the Management were very flexible to attend and participate in meetings convened virtually. Thus, I would like to thank the Board for their adaptability and resilience shown in performing their duties to the best of their abilities in such challenging circumstances whilst maintaining high standards of governance and integrity.

Regardless of the challenges faced during the pandemic, the Board continued to focus on fulfilling its oversight responsibilities within BHB's key operating subsidiaries. One of the most important aspects of my role as the Chairman is to foster diversity and competency of the Board to enable balanced, intelligent and insightful decisions to be made. Our Directors have the right range and balance of skills, expertise and attributes that enable us to support our subsidiaries.

As part of our continuous efforts to equip Directors with the right skills, BHB conducted in-house Directors' Training programmes, specifically designed to improve the effectiveness of the Board against established standards of best practices for all Directors within the Group. In conjunction with the introduction of Section 17A of the Malaysian Anti-Corruption Commission Act and the National Anti-Corruption Plan ("**NACP**") that came into effect on 1 June 2020, BHB and its key operating subsidiaries have also

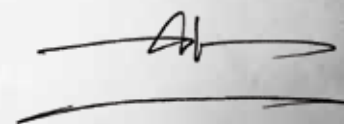
established the action plan and the Anti-Bribery and Corruption Policy. The Group is targeting to be accredited with ISO 37001 Anti-Bribery Management Systems ("**ABMS**") certification in the fourth quarter of 2021. In this regard, a customised in-house Directors' Training was organised by the Management to cover aspects of Corruption Risk and Anti-Money Laundering topics which have been emphasised by MACC and BNM for compliance. The Management also organised Directors' Training on the impact of COVID-19 on the economy. Due to the pandemic and the Movement Control Order imposed by the Government, both trainings were conducted virtually.

The Board again in 2020, continued to devote its time to strengthen oversight functions in relation to governance, internal control and risk management across the Group.

The Company also successfully embarked on its first fully virtual Annual General Meeting ("**AGM**") which was held on 26 August 2020. On behalf of the Board and the Management of BHB, we wish to express our gratitude to the shareholders and other stakeholders for your overwhelming support and participation on our first virtual AGM.

Our continuous recognition in the areas of corporate governance in the industry strongly supports BHB's efforts in upholding high standards of corporate governance culture within BHB and the Group.

I would like to take this opportunity to thank our shareholders and other stakeholders for placing your confidence in our business and your continued partnership with BHB in our journey. You can be assured your Board has a strong foundation of governance at its core and as the Chairman, I feel fortunate to work alongside incredibly hard working, committed and positive-minded Board members during this challenging period.



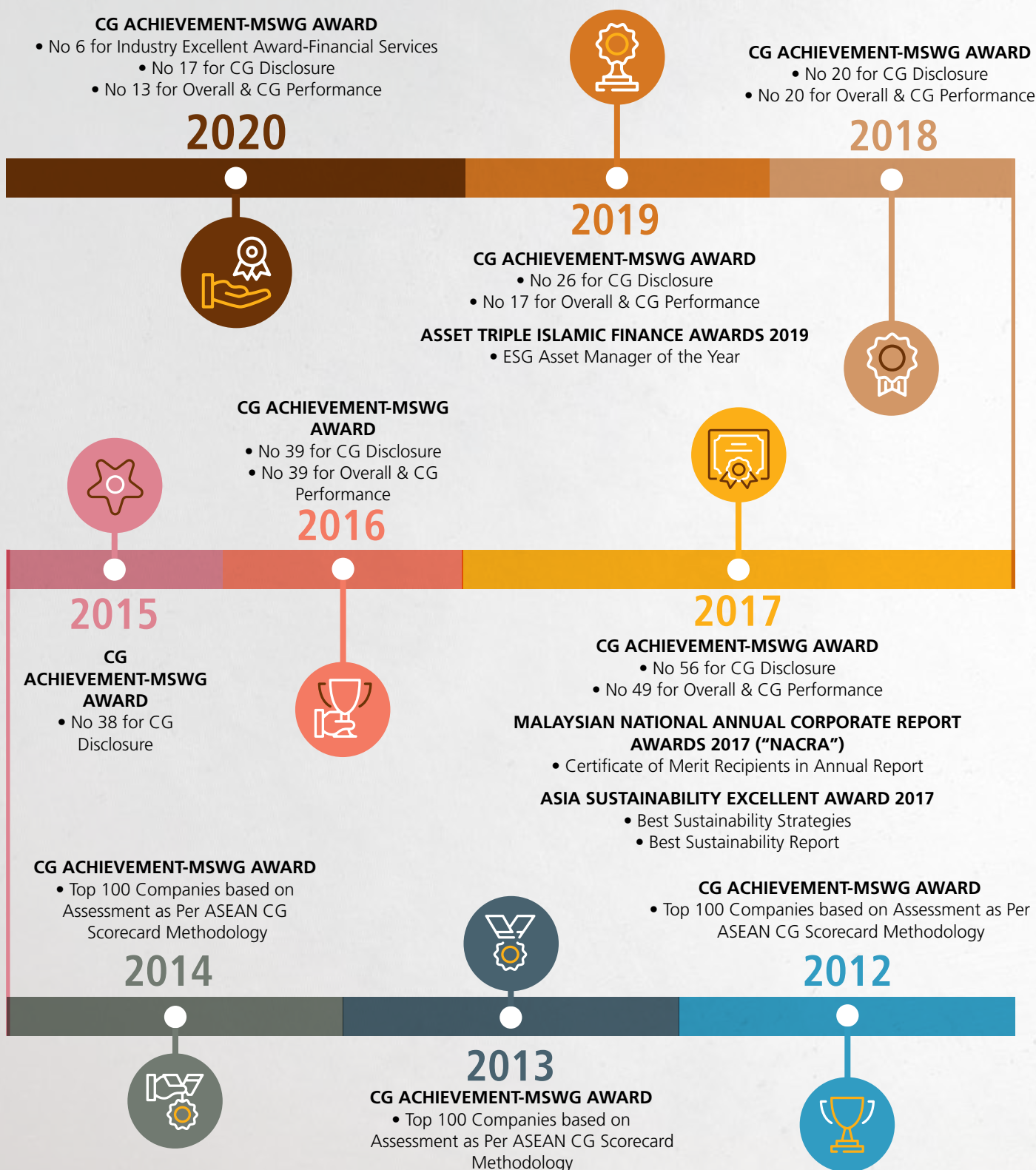
Tan Sri Ambrin Buang
Chairman

Independent Non-Executive Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

OUR CORPORATE GOVERNANCE JOURNEY



CORPORATE GOVERNANCE ("CG") AT BHB

BHB's Board is committed to observe high standards of corporate governance to deliver long-term value and sustainability for all its stakeholders. Despite navigating through a challenging year, the Board continued to embrace BHB's robust corporate governance practices to support the Group's strategy to enhance our shareholders' and other stakeholder interests as well as effectively meet business objectives to be a leading Shariah-compliant services provider.

This CG Overview Statement summarises the key corporate governance practices, policies and guidelines of BHB and its subsidiaries during the financial year ended 31 December 2020. It has been prepared in compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad

("MMLR") and guided by the principles of the Malaysian Code on Corporate Governance ("MCCG").

As at 31 December 2020, BHB had applied all recommended practices in the MCCG save for the two (2) set out below:

- (i) The disclosure of senior management's remuneration; and
- (ii) Gender diversity of 30% female representation on the Board.

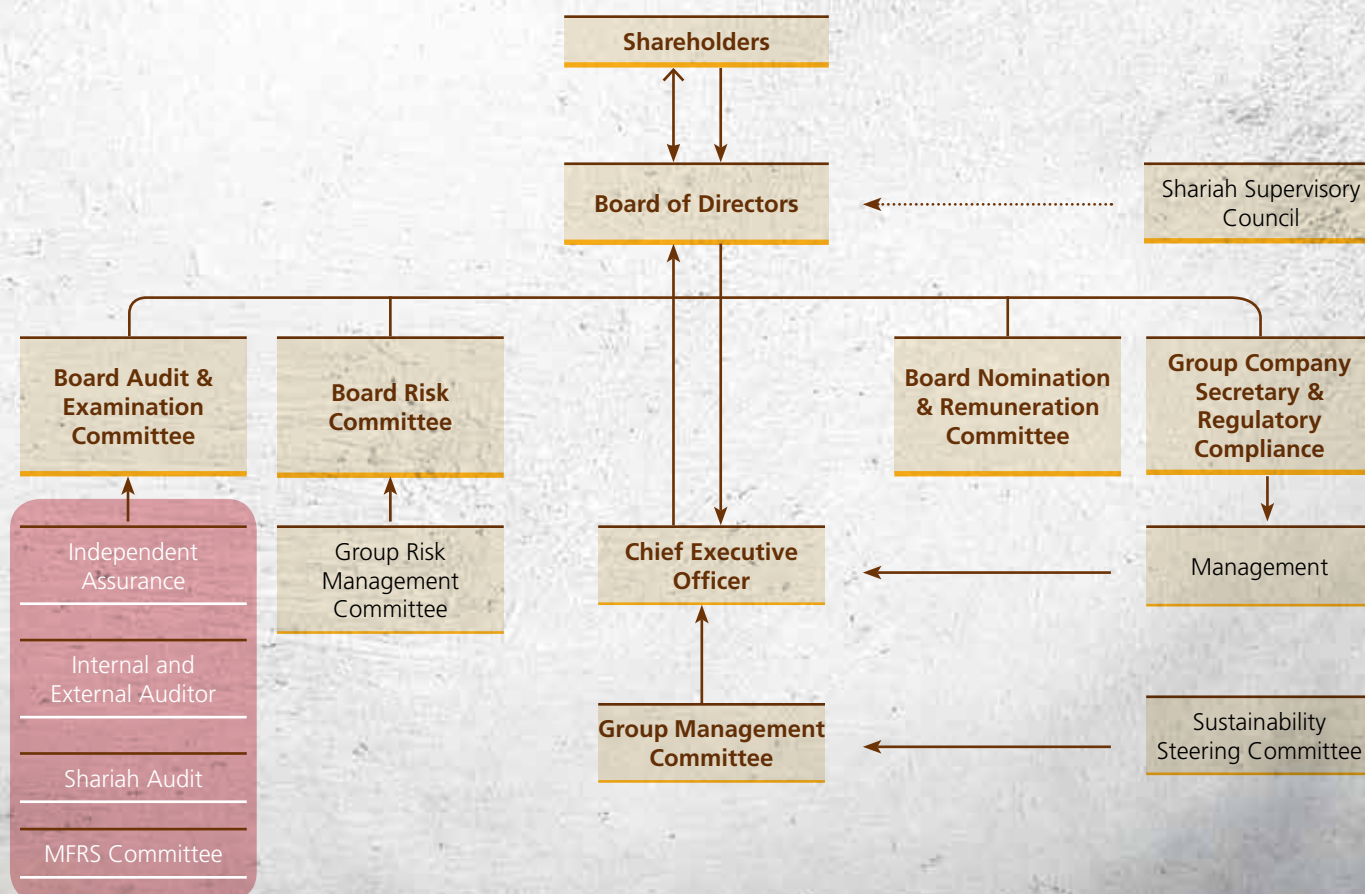
This CG Overview Statement is to be read together with the Corporate Governance Report 2020 ("CG Report 2020"), which is available on BHB's website: <http://www.bimbholdings.com>. Further details of BHB's application of the practices in the MCCG principles are disclosed in the CG Report 2020.

BHB'S GOVERNANCE FRAMEWORK

BHB has a well-defined corporate governance framework in place as part of its commitment to foster a culture of compliance that values personal and corporate integrity, accountability and continuous improvement.

The Board sets the direction of the corporate governance principles, upholds governance, and seeks to build an ethical culture. The Board continuously strives to refine the Company's corporate governance practices and processes to maintain the Group's competitive edge.

OUR GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

BHB's corporate governance framework is consistent and complies with the following:

- (a) the Malaysian Companies Act 2016;
- (b) Bank Negara Malaysia's Corporate Governance Policy ("BNM CG Policy");
- (c) MCCG 2017; and
- (d) MMLR.

The application of the respective principles and best practices on corporate governance are highlighted in the various sections of this CG Overview Statement.

BHB's established corporate governance structures, processes and policies provide guidance to the Board's business decisions and overall responsibilities to the shareholders to ensure compliance

with all laws and regulations. The Board strives to regularly review the Company's corporate governance practices to adapt to any changes in BHB's business directions and meet expectations of shareholders.

The Board may delegate specific roles and functions of the Board to relevant Board Committees and Management based on their specialised skills. These include matters relating to financial information review, human capital management, internal controls and risk management as well as governance, procurement and investment. The roles and responsibilities of the Board, the Board Committees and Management are defined and supported by the Board Charter, Terms of Reference, Code of Conduct and Ethics, Authority Limit and Procurement Policy.

The table below provides an overview of the roles and functions of the shareholders, the Board and the Management through the governance framework:

Shareholders	Ultimate decision-making authority at the AGM where the re-appointment of the Board and re-appointment of External Auditors are approved.
The Board	Accountable to the shareholders for the performance of the Company. It directs and monitors the business and affairs of the Company on behalf of the shareholders and is responsible for the Company's overall strategy objectives, direction, performance and corporate governance of the Company, with some oversight delegated to the Board Committees.
Shareholders and the Board jointly	Provide oversight of the control and management of BHB.
Chief Executive Officer and the Management	Responsible for the sound and prudent day-to-day management of the Company in accordance with the direction of the Board. The Board delegates to the Chief Executive Officer, together with the Management, the authority for managing BHB's business to achieve its corporate targets and plans.

BHB SUBSIDIARY GOVERNANCE

BHB operates through a range of subsidiaries. The governance framework ensures each subsidiary company operates as a separate and distinct legal entity accountable for their own practices in accordance with local laws and regulations.

Each major subsidiary maintains its own board of directors. However, the Board maintains control and performs oversight of the subsidiaries through the appointment and removal of the directors on the board of the subsidiaries. Members of the Board may be appointed as a director on each major subsidiary, thus ensuring a continuous flow of information and promoting alignment to the Group's strategic direction. While lines of reporting are maintained to the Group, the boards of each subsidiary remain the final approving authority of that entity.

LEADERSHIP AND EFFECTIVENESS

BOARD ROLES AND RESPONSIBILITIES

The Board is primarily accountable to the shareholders for long-term success of the Company and ultimately responsible to have oversight and review of the administration and overall governance of the Company. In discharging its fiduciary duties for the best interest of the Company, the Board provides leadership support and works closely with the Management of the Company. The roles of the Board are regulated by the Board Charter.

While having the overall accountability, the Board has delegated the day-to-day management of the Company to the Chief Executive Officer and his Key Senior Officers. To promote accountability and facilitate division of responsibilities, the roles of the Chairman and the Chief Executive Officer, which are clearly defined in the Board Charter, are separate and distinct. In order to effectively discharge its duties, some oversight responsibilities of the Board are delegated to Board Committees. The Chairman of the Board, Tan Sri Ambrin Buang, leads the Board to ensure effective operations of the Management and the Chief Executive Officer of the Group. Encik Mohd Muazzam Mohamed, ensures the effective implementation of the Board's overall strategies, meeting annual targets of the Group and management of external stakeholders. The Board is also assisted by the Group Company Secretary, which is currently held by Puan Maria Mat Said.

The following diagram provides an overview of the roles and key responsibilities of the Board:

BOARD					
Responsible to govern and set strategic direction of the Company and exercise oversight on management for long-term success of the Company and the delivery of sustainable value to its stakeholders					
CHAIRMAN	SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTORS	EXECUTIVE DIRECTORS	CHIEF EXECUTIVE OFFICER	COMPANY SECRETARY
Leading and overseeing the Board in ensuring its responsibilities for the business and affairs of the Company.	Act as a sounding board for the Chairman, serve as the principal conduit between the Independent Directors and the Chairman, and act as the point of contact for other shareholders and stakeholders.	Play a key role to scrutinize the performance of the Management, challenge and develop the strategy and ensure systems of internal control and risk management are appropriate and effective.	Responsible to update Board on material issues of the subsidiaries and manage the conduct of nominee directors in exerting influence over the shareholders.	Responsible to develop the strategic direction of the Company, leading the Senior Management to effectively manage the day-to-day affairs of the Company as well as lead and support each of BHB's businesses to ensure the success of the Group's governance and management functions.	Play an advisory role to the Board and the Board Committees to function effectively in accordance with their terms of reference and best practices and in compliance with the relevant regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

BOARD CHARTER

The details of the roles and responsibilities of the Board, Board Committees, the Chief Executive Officer, the Company Secretary and Key Senior Officers are defined in the Board Charter. The Board Charter is reviewed every two (2) years, or when there are material changes to the governance structure, process or procedures to ensure relevance and function for the Board's needs. In addition to the Board Charter, in discharging its duties, the Board is also guided by its Terms of Reference, a document which specifies the Board's role, powers, duties and function. The Board Charter and Terms of Reference are available at BHB's website www.bimbholdings.com.

MATTERS RESERVED FOR THE BOARD

The following matters prescribed in the Board Charter and the Terms of Reference are specifically reserved for the Board's approval:

BOARD RESERVE MATTERS	
Strategy	• Strategic policy matters which include business plan, budget and corporate structure • Any corporate exercise which include acquisition or divestment of strategic interest
Risk/Controls	• Risk appetite setting • Entry into any related party transaction • Review on the adequacy and integrity of the Company's internal control system
Finance	• Financial results and declaration of dividends • Any significant operating and credit policies • Capital management plan • Authority limits including discretionary authority • Declaration of dividends • Major acquisition or disposal of capital expenditure
Operations	• Any new outsourcing proposals • Oversight and evaluation of the conduct and performance of the Company
Board Matters	• Succession Planning • Appointment and remuneration of Directors, the Chief Executive Officer and Key Senior Officers

BOARD ACTIVITIES IN 2020

The Board has oversight over the management and proper conduct of the business and affairs of the Company, with responsibilities to review overall strategies, business, performance and policies of BHB.

In FY2020, the Board reviewed and deliberated as well as approved several matters focused on the following key areas:

STRATEGY AND FINANCE	• Business strategy, budget for financial year ending 2020 and projections for BHB, key operating subsidiaries and its wholly-owned subsidiaries; • Forecast for financial year ending 2020 on the impact of COVID-19; • Sessions with BHB's nominee directors as well as the Chief Executive Officer of the key operating subsidiaries held on a quarterly basis; • Session with Chairman of Syarikat Takaful Malaysia Keluarga Berhad ("STMKB") on STMKB's quarterly results; • Quarterly financial report on Related Party Transactions and Related Party Balances for BHB and its Group; • Zakat computation for BHB and its Group; • Re-appointment of External Auditor; • Proposed Revised Voting Policy of BHB and its subsidiaries; • Proposed Renewal of Group Term Family Takaful and Group Personal Accident Takaful for Directors; • Proposed Renewal of Directors' and Officers' Liability Insurance; • Proposed Dividend Reinvestment Plan by BHB; • Proposed Interim Single Tier Dividend for the Financial Year Ending 31 December 2020; • Proposal on Group Synergy and Shared Resources by BIMB Securities Sdn. Bhd.; and • Update on Corporate Restructuring Exercise of BHB Group.
RISK, COMPLIANCE AND OVERSIGHT	• Review report on subsidiary Long-Term Incentive Plan; • Updates on COVID-19 measures and controls; • Modification loss and Proposed Mitigation Plan; • Corporate Governance Disclosure and production of Integrated Annual Report 2019; and • Review of Business Zakat Guidelines.
GOVERNANCE AND SUCCESSION PLANNING	• Annual Board Evaluation; • Declaration of directorship and professional commitment by Directors; • Declaration of independence by Independent Directors; • Directors' Training for 2020; • Proposed re-appointment of Tan Sri Ambrin Buang as the Chairman/Independent Non-Executive Director of BHB; • Review of the Remuneration and Benefit for the Directors of BHB; • Total rewards (variable bonus and salary increment) for staff of BHB; • Nomination for appointment of a principal officer at Syarikat Al-Ijarah Sdn. Bhd. and BIMB Securities (Holdings) Sdn. Bhd.; and • Review of Board Charter and Terms of Reference of Board and the Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

BOARD MEETINGS

In carrying out its duties, the Board has a minimum six (6) scheduled meetings in a year, the dates of which are scheduled in advance to enable the Directors to plan ahead. In addition to the scheduled meetings, special meetings may be convened as and when required to address specific issues.

Prior to any meetings, Directors receive meeting materials at least five (5) days in advance to allow sufficient time for Directors to review and analyse relevant information. The deliberations and decisions made during Board meetings are clearly minuted and action items for Management are communicated to the relevant parties within seven (7) days after each meeting. The draft minutes are then tabled at the following meeting for confirmation and thereafter signed by the Chairman and filed within ten (10) days.

During the financial year under review, the Board met eleven (11) times to deliberate and consider significant matters that required its guidance and approval. All Directors attended more than 75% of Board meetings during the financial year 2020. Due to the impact of COVID-19, eight (8) meetings were held virtually.

The Chief Executive Officer, Group Chief Financial Officer and Company Secretary as well as other Management (if required) have also been invited to attend the Board meetings to support the Board with further information on the matters being deliberated.

Details of the Board and Board Committees' meeting held during the financial year 2020 is disclosed under page 128 of this Integrated Annual Report.

BOARD CONDUCT

The Board recognises that upholding ethical standards of behaviour promotes the principles of sincerity, integrity and responsibility. The Board Code of Conduct and Ethics ("**Code**") details the responsibilities of the Directors in conducting itself in a manner consistent with the Board Charter.

Directors have a duty to declare any conflict of interests including whether such interest arises through close family members. In the event of any conflict of interest, the Director shall abstain from participating in discussions and decisions on matters which directly involve him/her.

Each Director has devoted sufficient time to carry out his/her responsibilities, maintain a sound understanding of the Company's business and keep up-to-date with market and regulatory developments. The Board Charter states that a Director, upon acceptance of his/her appointment must declare to the Board details of all other significant businesses and interests, indicating broadly the time spent on such commitments. The maximum number of external professional commitments of each Director must not be more than ten (10) unless with prior approval of the Board.

All Directors comply with the MMLR of not holding more than five (5) directorships in listed issuers at any given time.

The Board is satisfied that the current number of directorships held by the Board members does not impair their ability or judgment in discharging their roles and responsibilities.

BOARD DIVERSITY AND COMPOSITION

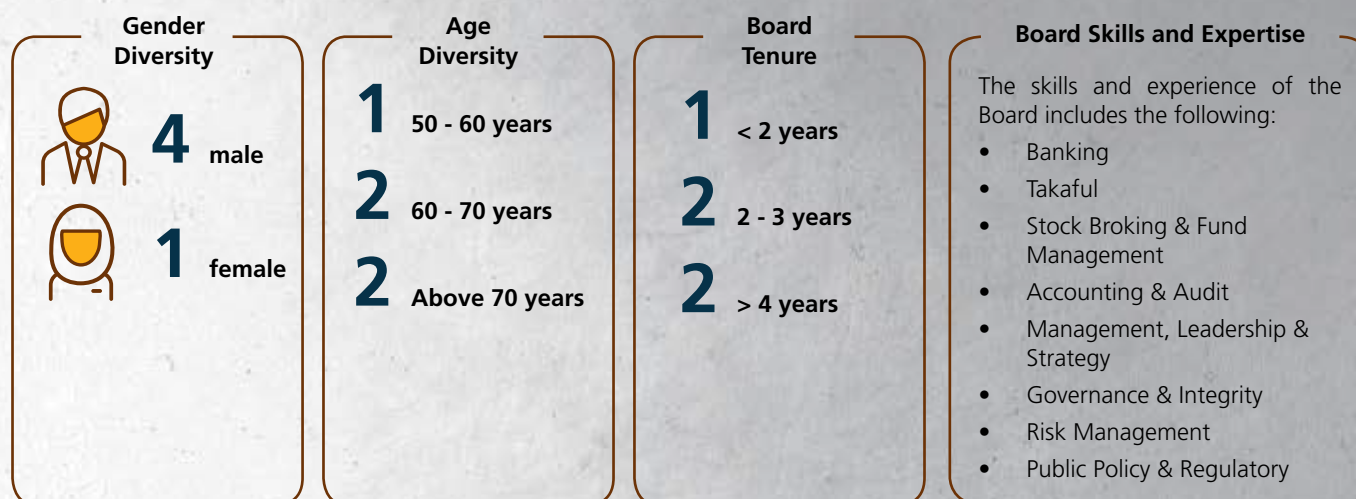
As at the date of reporting, the Board consists of five (5) Directors, comprising of one (1) Non-Independent Non-Executive Director, one (1) Non-Independent Executive Director and three (3) Independent Non-Executive Directors.

The Board composition is balanced and currently complies with the requirements under the MMLR and the BNM Policy on the representation of majority Independent Directors, one of whom is a woman Senior Independent Non-Executive Director. The current size of the Board commensurate with the present scope of the Group's business operations with a diverse wealth of knowledge, experience and skills in the areas of accountancy, banking, takaful, audit, corporate finance, risk management and public administration.

The Board embraces diversity in the composition and deliberations of the Board and recognises the added value of diverse perspectives and insights in its decision-making process. In this regard, the Board considers diversity from a number of different aspects, including gender, age, educational background, professional experience, skills, knowledge and length of service.

Detailed profile of each member of the Board is provided on pages 36 to 40 of this Integrated Annual Report.

The following diagrams provide an overview of the Board's diversity in terms of skills, experience, age and gender composition.



BOARD COMMITTEES

The Board has delegated authority to several Board Committees to enable the Board to discharge its duties and responsibilities properly and exercise oversight in specific areas. There are three (3) established committees (as listed below) focusing on audit, risk as well as board nomination and remuneration. The Terms of Reference of the respective Board Committees can be found at the Company's website: www.bimbholdings.com.

BOARD AUDIT & EXAMINATION COMMITTEE ("BAEC")	• Responsible to support the Board in ensuring that there is a reliable and transparent financial reporting process and internal control system within the Company and oversee the effectiveness of the internal auditors and external auditors of the Company. • To oversee the integrity of the financial statements in compliance with legal and regulatory requirements and applicable accounting standards.
BOARD NOMINATION & REMUNERATION COMMITTEE ("BNRC")	• To establish a formal and transparent procedure for the appointment of Directors, Chief Executive Officer, Board Committee members and Key Senior Officers. • To assess and evaluate the performance and effectiveness of the individual directors, independence of independent directors and members of the Board Committees as a whole. • To recommend a framework of remuneration for directors and Board Committees. • To ensure the compensation structure is competitive and consistent with the Company's culture, objectives and strategy.
BOARD RISK COMMITTEE ("BRC")	• To oversee the Group activities in managing credit risk, market risk, liquidity risk, operational risk, legal risk, Shariah risk and other risk. • To ensure the principles and requirements of managing risk are consistently communicated and adopted throughout the Company. • To ensure that the risk management process is in place and functioning effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

In FY2020, the Board and the Board Committees spent a total of fifty (50) hours in discharging their oversight functions and responsibilities as follows:

MEETINGS ATTENDANCE RECORD (1 JANUARY 2020 TO 31 DECEMBER 2020)						
BOARD OF DIRECTORS	Tan Sri Ambrin Buang	Puan Noraini Che Dan	Encik Mohd Tarmidzi Ahmad Nordin	Datuk Nik Mohd Hasyudeen Yusoff	Encik Zahari @ Mohd Zin Idris	OVERALL PERCENTAGE OF THE BOARD MEETINGS ATTENDED BY THE MEMBERS 98%
ATTENDANCE	10/11	11/11	11/11	11/11	9/9	
TOTAL BOARD MEETINGS HOURS: 24 HOURS 05 MINUTES						
BOARD COMMITTEES		BAEC		BNRC		BRC
CHAIRMAN		Puan Noraini Che Dan Attendance: 6/7 (86%)		Puan Noraini Che Dan Attendance: 4/5 (80%)		Encik Mohd Tarmidzi Ahmad Nordin Attendance: 8/8 (100%)
MEMBERS		Encik Mohd Tarmidzi Ahmad Nordin Attendance: 7/7 (100%) Encik Zahari @ Mohd Zin Idris Attendance: 7/7 (100%)		Encik Mohd Tarmidzi Ahmad Nordin Attendance: 5/5 (100%) Encik Zahari @ Mohd Zin Idris Attendance: 4/4 (100%)		Puan Noraini Che Dan Attendance: 6/8 (75%) Encik Zahari @ Mohd Zin Idris Attendance: 8/8 (100%)
MEETING HOURS		10 hours 25 minutes		2 hours 30 minutes		12 hours 20 minutes
BOARD AND BOARD COMMITTEES MEETING CALENDAR						
TOTAL HOURS OF THE BOARD & BOARD COMMITTEES' MEETINGS 50 HOURS	January BAEC – 29 BNRC – 31 BOD – 2, 31	February BRC – 21	March BNRC – 5 BOD – 5, 27	April BAEC – 30 BOD – 30	May BOD – 8	June BAEC – 11 BRC – 11 BNRC – 11 BOD – 12
	July BAEC – 27 BRC – 29	August BOD – 5	September BAEC – 24 BRC – 25 BOD – 28	October BRC – 19 BAEC – 28 BNRC – 28 BOD – 28	November BRC – 11 BAEC – 30	December BRC – 1, 11 BNRC – 11 BOD – 11

The Board Committee members are appointed by the Board on the recommendation of the BNRC. The Board Committees membership are structured to spread responsibility and make best use of the range of skills across the Board. Membership of the various Board Committees are reviewed regularly and is structured to provide the appropriate overlap of membership to ensure cohesive information flow between the Board Committees. The Board Committees members are expected to attend each Board Committee meeting, unless there are exceptional circumstances that prevent them from doing so. Each Board Committee is entitled to seek information from any employees of the Company and to obtain professional advice as the Board Committee deems appropriate in its discretion.

During each Board of Directors' meeting, the Chairman of the respective Board Committee shall then present to the Board its recommendations for the Board's approval accordingly. This permits the Board to raise any comments/views on all deliberations. All deliberations and recommendations must be minuted and approved by each Board Committee and confirmed by the Chairman of each Board Committee at their respective Board Committee meetings.

The Chairman of the Board Committees and the Shariah Supervisory Council report on matters dealt with the respective Board Committee meetings to the Board. Minutes of the respective Board Committees are also presented at the Board of Directors' meetings for further discussion and direction, if any.

Based on the Annual Evaluation of each standing Board Committee for the financial year under review, the Board unanimously resolved that each Board Committee has discharged its roles and responsibilities effectively as guided by its respective Terms of Reference.



PUAN NORAINI CHE DAN

Chairman of the BNRC
Senior Independent Non-Executive Director

BOARD NOMINATION & REMUNERATION COMMITTEE REPORT ("BNRC")

Chairman

Puan Noraini Che Dan

Senior Independent
Non-Executive Director
Total Attendance: 4/5
80%

Members

Encik Mohd Tarmidzi Ahmad Nordin

Independent
Non-Executive Director
Total Attendance: 5/5
100%

Encik Zahari @ Mohd Zin Idris

Non-Independent
Non-Executive Director
Total Attendance: 4/4
100%

Membership

The BNRC is chaired by Puan Noraini Che Dan, a Senior Independent Non-Executive Director, following the retirement of Tan Sri Ismail Adam on 3 January 2020. The BNRC consists of a majority of independent non-executive directors. The current composition of the BNRC complies with the BNM CG Policy and the MMLR.

Further details of the composition and the meetings attended by each member can be found in the CG Report 2020.

Roles and Responsibilities

BNRC's primary role is to support the Board in ensuring the Board's composition consists of individuals with the appropriate skills, experience and knowledge to maintain the effectiveness of the Board. The BNRC also reviews matters relating to the remuneration of the Directors.

Further information on BNRC's roles and responsibilities as highlighted in its Terms of Reference is available on the Company's website at www.bimbholdings.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

BNRC KEY ACTIVITIES IN 2020

The BNRC met five (5) times during the financial year. The following summarises the activities of the Committee in FY2020:

AREAS OF FOCUS	MATTERS CONSIDERED
Nomination	• Perform oversight on the composition of the Board, including endorsing the appointment of the Chairman and the members of the Board of the key subsidiaries; • Recommend the appointment of nominee director of BHB at the respective subsidiaries; • Consider the re-appointment of Tan Sri Ambrin Buang as the Chairman/ Independent Non-Executive Director of BHB; • Assess and consider the nomination of BHB's nominee director at its key operating subsidiaries; • Assess and consider the nomination of a principal officer of a wholly owned subsidiary of BHB; and • Consider and assess the plan involving the contractual and permanent employees of the Company in anticipation of the completion of a corporate exercise that will lead to the de-listing of the Company and transfer of listing status to Bank Islam.
Remuneration	• Review the remuneration and benefits for the Directors of the Company; and • Review and recommend the quantum and basis of bonus payments to the Management and employees of the Company.
Governance	• Review the status of independence of Independent Non-Executive Directors of the Company; • Review the overall size and composition of the Board and the board of its subsidiaries and the directors of the Group; • Ensure a diverse Board composition for an effective and well-functioning Board; • Conduct and review the results of the Annual Evaluation of the Board and its Committees; • Review and recommend the training needs of each Director; and • Review the BNRC Overview report.

COMPOSITION AND DIVERSITY

The BNRC plays a vital role in ensuring the balance in the composition and diversity of the Board is achieved. The BNRC reviewed the size, composition and diversity of the Board as well as the mix of experiences and competencies of each member of the Board. Following the assessment and recommendation by the BNRC, the Board views that the current size and composition of the Board is conducive for appropriate decision-making and incorporates a diversity of opinions, perspectives and skills to act on the best interest of the Company as a whole.

APPOINTMENT OF DIRECTORS

The BNRC is delegated with the responsibility to establish a formal and transparent process for the nomination and appointment of new Directors. Such responsibilities include screening and identification of candidates, performing the fit and proper evaluation and assessment on the candidates' capability to discharge their duties effectively and efficiently prior to making recommendations to the Board for approval. The BNRC also ensures that the candidates possess the appropriate skills, experience and expertise relevant to the BHB's business, core competencies, commitment and integrity to effectively discharge their role as a director. In sourcing and identifying candidates for the Board, the BNRC not only relies on recommendations from existing board members but would also consider external sources such as the Directors' Register by FIDE FORUM and independent executive firms.

INDEPENDENT DIRECTOR

The BNM CG Policy and the MMLR Policy mandates that a majority of directors of the Board must be independent. Independent Directors contribute to the Board's role in ensuring good corporate governance practices are applied to promote objectivity and independence in the Board's deliberations and decision-making process. The presence of a majority of Independent Directors on the Board also facilitates an effective and independent oversight over the Management, and provides the necessary checks and balances in ensuring the Company operates in a safe and sound manner.

BHB's criteria for independence is set out in the Board Charter. One of which is the requirement for all Independent Directors to declare their independence on a monthly basis. The Board evaluates and assesses the Directors on an annual basis through a board evaluation process. Through this formal process, Independent Directors are also assessed on their ability to provide strong and valuable contributions to the Board's deliberations in the best interest of BHB, without any interference.

For the year under review, the BNRC has considered the independence of each Independent Director in office and has concluded that each Independent Director has met the independence criteria as set out in the MMLR and the BNM CG Policy. The Board is generally satisfied that each Independent Director has remained independent in their character and judgement and is free from relationships or circumstances which could interfere with the Director's judgement.

The Board has adopted the policy that limits the tenure of its Independent Directors to nine (9) years, pursuant to Practice 4.3 - Step Up of the MCCG. Currently, none of the Independent Directors have served the Board for more than nine (9) years.

SUCCESSION PLAN

The Board recognises succession planning as an essential role for the BNRC. The Board believes that the membership and composition of the Board should be continuously assessed to support the Group's long-term strategic direction and business continuity.

The Board assisted by the BNRC is responsible for the recruitment and selection process of potential candidates. This process includes reviewing the Group's talent pool in identifying the desirable competencies and skills to ensure that there is an appropriate dynamic of skill, experience, expertise and diversity on the Board to meet the fast-changing landscape of the financial industry. The Board assisted by the BNRC also oversees the appointment and the succession planning of the Key Senior Officers.

INDUCTION PROGRAM

The Board has in place a comprehensive induction program to assist with the onboarding of new Directors. Upon appointment, all new Directors must attend the induction program to facilitate their immersion into their role and to assist them in understanding various aspects of BHB and Group's business strategy and operations. The induction program is organised no later than three (3) months upon the appointment of the Director and may take up at least two (2) days to complete. The programme includes a session with the Chief Executive Officer and the Company Secretary covering BHB's governance structure, business, reporting procedures and access of information, and a session with the Key Senior Officer of the respective key operating subsidiaries to provide better understanding of the Group's core business and its whole operation.

Directors are also provided with a Director's Handbook consisting of the Board Charter, the Company's Constitution, the Board and Board Committee's Terms of Reference, the latest Annual Report of BHB and other relevant policies and guidelines.

DEVELOPMENT AND TRAINING

As part of on-going professional development for Directors, an Individual Development Plan ("IDP") was established for Directors to identify required training for Directors to keep abreast with the changes to new statutory or regulatory requirements and on latest developments and key challenges in the financial and Takaful industry. The Directors are mindful of the need to enhance their skills and knowledge to maximise their effectiveness as Directors of the Company during their tenure.

All Directors are required to complete their IDP by attending at least three (3) trainings on technical knowledge and one (1) leadership or one (1) soft skills training during the calendar year. Directors are also encouraged to attend other training programs that are relevant to them.

Topics covered at external trainings attended by the Directors during the financial year were on Islamic finance, regulatory development and governance, Fintech and cyber security, corruption risk and integrity, risk management, leadership and corporate liability. Apart from external trainings that were attended by the Directors, the Group Company Secretary also coordinated internal training which focused on (i) impact from the COVID-19 pandemic on the global market, banking segment and equity market; and (ii) Anti-Money Laundering and Corruption Risk as part of the Board's Continuing Development to enable the Directors to discharge their responsibilities effectively.

Details of the conference, seminar and training programmes attended by each Director in 2020 can be found in the CG Report 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

BOARD EVALUATION

The Board conducts an annual assessment of its members through a Board and Peer Annual Assessment (“**Board Evaluation**”) to determine the effectiveness and performance of individual Directors, Board Committees and the Board as a whole. This formal and transparent process provides an objective and structured approach in the board evaluation exercise to address any gaps and improvement areas for the Board. There were several enhancements made to the 2020 evaluation exercise which included the implementation of e-Evaluation through an online platform, a wider scope of assessment to include the evaluation of the effectiveness of the Chairman and Members of the Board Committees as well as the improvement in some of the questionnaires for clarity purposes.

Based on the 2020 Board Evaluation results, the Board and Board Committees are satisfied with their existing composition and are of the view that, with the current mix of skills, knowledge, experience and strength of the existing Directors, the Board and the Board Committees are able to discharge their duties effectively.

The BNRC concluded that the Directors and respective Board Committees as a whole have remained effective and have consistently met high performance standards and all expectation. This indicates that the Directors have continuously fulfilled their responsibilities as Members of the Board and Board Committees.

Details of the 2020 Board evaluation results can be found in the CG Report 2020.

DIRECTORS’ REMUNERATION

BHB has in place a remuneration structure for Directors that has been aligned to attract, retain and remunerate Directors for their contributions. The BNRC is authorized to review the remuneration framework for Directors and Key Senior Officers of BHB to ensure that their compensation is competitive and consistent with industry standards and is in line with BHB’s culture, objectives and strategies.

The remuneration of the Directors is reviewed regularly to ensure the Directors are reasonably remunerated and reflects their role, responsibilities and efforts in discharging their fiduciary duties. The remuneration framework as approved by the shareholders at the 23rd Annual General Meeting on 26 August 2020 are as follows:

BNRC REMUNERATION FRAMEWORK				
BIMB HOLDINGS BERHAD		RETAINER FEES (PER ANNUM) RM	CHAIRPERSON’S PREMIUM (PER ANNUM) RM	MEETING FEES (PER MEETING) RM
Board	Chairman	48,000	72,000	5,000
	Member	48,000	n/a	3,000
BAEC	Chairman	24,000	12,000	5,000
	Member	24,000	n/a	3,000
BRC	Chairman	24,000	12,000	5,000
	Member	24,000	n/a	3,000
BNRC	Chairman	12,000	12,000	5,000
	Member	12,000	n/a	3,000
BIMB HOLDINGS BERHAD		OTHER EMOLUMENTS PER ANNUM (RM)		
		VEHICLE ALLOWANCE	MEDICAL	LEAVE PASSAGE
Board	Chairman	120,000	18,000	40,000
	Member	24,000*	18,000	30,000

Notes:

* This entitlement is only for director that holds the position of Senior Independent Non-Executive Director.

The details on the aggregate remuneration of Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries during 2020) are as follows:

DIRECTOR	TOTAL DIRECTORS' REMUNERATION FOR FINANCIAL YEAR ENDED 31 DECEMBER 2020 (RM)				
	DIRECTORS' FEES	MEETING FEES	TOKEN OF APPRECIATION	BENEFITS IN-KIND	OTHER EMOLUMENTS*
Tan Sri Ambrin Buang Independent Non-Executive Director/ Chairman	Total: 390,025				
	120,000	55,000	40,000	8,374	166,651
Puan Noraini Che Dan Senior Independent Non-Executive Director • Chairman, BAEC and BNRC • Member, BRC • Director, Bank Islam Malaysia Berhad	Total: 809,774				
	293,920	110,240	40,000	33,374	332,240
Encik Mohd Tarmidzi Ahmad Nordin Independent Non-Executive Director • Chairman, BRC • Member, BAEC and BNRC	Total: 325,217				
	120,000	112,000	40,000	8,374	44,843
Datuk Nik Mohd Hasyudeen Yusoff Non-Independent Executive Director • Director, Bank Islam Malaysia Berhad	Total: 233,774				
	—	72,000	30,000	8,374	123,400
Encik Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director • Member of BAEC, BNRC and BRC • Director, BHB Group • Director, Bank Islam Malaysia Berhad and Group	Total: 856,974				
	398,940	93,280	—	23,374	341,380

Notes:

* Vehicle Allowance, Directors' Training, Leave Passage and Medical Claim.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

KEY SENIOR OFFICER REMUNERATION

The remuneration package for the Key Senior Officer is structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other customary benefits as accorded by comparable companies. A significant portion of the Key Senior Officer's compensation package is variable and is determined by performance during the year against individual KPIs in a scorecard aligned with corporate objectives. The BNRC recommends to the Board on the proposed remuneration to be paid to each of the Key Senior Officers upon an annual review of their performance.

The remuneration bands of the Chief Executive Officer and the Key Senior Officers of BHB are as follows:

RANGE OF REMUNERATION (BASIC SALARY, FIXED ALLOWANCES AND BONUS) (RM)	NUMBER OF KEY SENIOR OFFICERS (INCLUSIVE OF THE CEO)
<750,000	2
750,000 up to 1,000,000	1
1,000,001 up to 1,250,000	–
1,250,001 up to 1,500,000	1
1,500,001 and above	1
Total	5

Remuneration summary of the Chief Executive Officer and Key Senior Officer are as follows:

ELEMENTS	TOTAL (RM)	WHAT IT INCLUDES
Fixed Component	6.03 million	Base Salary Fixed Allowances Cash Bonus
Variable Component	1.35 million	Benefit-in-kind Other Emoluments

Details of the Chief Executive Officer's remuneration can be found on Note 41 on page 263 of this Integrated Annual Report.

PERFORMANCE REVIEW OF THE BNRC

Based on the Board evaluation 2020, the Board is satisfied with the performance of the BNRC and its members and that it has discharged its responsibilities in accordance with its mandate and Terms of Reference.

EFFECTIVE AUDIT AND RISK MANAGEMENT

BOARD AUDIT & EXAMINATION COMMITTEE ("BAEC")

Chairman

Puan Noraini Che Dan
Senior Independent
Non-Executive Director
Total Attendance: 6/7
86%

Members

**Encik Mohd Tarmidzi
Ahmad Nordin**
Independent
Non-Executive Director
Total Attendance: 7/7
100%

**Encik Zahari @ Mohd
Zin Idris**
Non-Independent
Non-Executive Director
Total Attendance: 6/6
100%

Membership

As at 31 December 2020, the BAEC comprises of three (3) Independent Directors, all of whom are Non-Executive Directors. The Chairman of the BAEC, namely, Puan Noraini Che Dan, is not the Chairman of the Board of Directors. Puan Noraini is also a member of the MIA as well as the MICPA, in line with the requirement under Paragraph 15.09 (1) (c) of the MMLR. The composition of the BAEC is in line with Paragraph 15.09 (1) (a) and (b) of the MMLR and Paragraph 12.3 of the CG Policy.

At the early 2020, Tan Sri Ismail Adam who retired as Director of BHB on 3 January 2020, had also ceased to be a member of the BAEC. Encik Zahari @ Mohd Zin Idris, who joined the Board of BHB on 3 February 2020, was appointed to be the member of BAEC on the same day.

Further details of the BAEC Composition and the meetings attended by each member can be found in the CG Report 2020.

Roles and Responsibilities

The BAEC provides oversight on the Group's financial reporting and internal control framework, guided by its Terms of Reference. Further information on the BAEC's roles and responsibilities are set out in its Terms of Reference, which was last reviewed on 11 December 2020 and is available on the Company's website at www.bimbholdings.com.



PUAN NORAINI CHE DAN

Chairman of the BAEC
Senior Independent Non-Executive Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

THE BAEC AUTHORITY

The BAEC was established on 21 July 1998 by the Board to ensure high corporate governance practices are always maintained.

The Board has established a transparent relationship and communication channel between BAEC and its external auditors, internal auditors, Management and key operating subsidiaries with the BAEC. The BAEC has clear authority to investigate any matter within its Terms of Reference. It has full access to and co-operation from Management and full discretion to invite any BHB's Nominee Director or Directors of the respective key operating subsidiaries to attend its meetings. The external auditors of the key operating subsidiaries will also be invited to the BAEC meetings when necessary. The BAEC shall have the necessary resources from the Group and has access to the information needed to discharge its function effectively. The BAEC is also able to obtain, at the Company's expense, any professional advice including the advice of independent professional and to secure the attendance of the external adviser at its meeting if it considers necessary to fulfill its obligations.

MEETINGS

During the financial year under review, seven (7) BAEC meetings were held. This satisfies the BAEC Terms of Reference, which requires the BAEC to meet at least four (4) times a year.

The Chief Executive Officer, Group Chief Financial Officer and Group Company Secretary, who is also the Secretary to the BAEC, attend BAEC meetings. The Chief Internal Auditor, the External Auditor and other Officers from the key operating subsidiaries were invited to the meetings to deliberate on matters within their purview.

The Group Company Secretary circulated action items from the deliberations and decisions made during the BAEC meetings to the Management and the respective stakeholders within seven (7) days after the meetings for their further action.

After the meeting, the BAEC Chairman updates the Board on the matters deliberated. Matters reserved for the Board's approval are tabled at the Board meetings.

THE BAEC ACTIVITIES IN 2020

The summary of the activities performed by the BAEC for the financial year ended 31 December 2020 are as follows:

AREAS OF FOCUS	MATTERS CONSIDERED
Internal Audit	- Reviewed and approved the 2020 Internal Audit Plan for BHB and its wholly-owned subsidiaries, namely Syarikat Al-Ijarah Sdn. Bhd. and BIMB Securities (Holdings) Sdn. Bhd. on 24 August 2020. Ensure the internal audit plan includes the scope, procedures and frequency as well as adequacy and competency of internal audit resources. - Reviewed the Internal Audit methodology in assessing the risk levels of various auditable areas based on the impact and likelihood of the inherent risk, the controls in place and the existence of effective risk transfer in minimising potential losses from negligence or fraud. The approved Internal Audit Plan was established based on the staff strength of five (5) auditors with an estimated requirement of 53 man-days and a projected audit fee of RM16,000.00. - Deliberated on the Internal Audit Report for BHB and its wholly owned subsidiaries as issued by the Internal Auditor on 26 March 2021, which amongst others focused on the effectiveness and adequacy of governance, risk management and internal control, audit rating and recommendation. The Internal Audit Report also included the Information Technology Audit which assessed the adequacy of the IT information system and the necessary back-up systems to cover for contingencies or disaster. The Shariah Audit Report covers compliance to Shariah requirements on relevant documentation and zakat computation and payment. - Ensured that appropriate corrective actions were taken by Management in a timely manner to address control weaknesses, policies and other areas identified by the Internal Auditors and other control functions.

AREAS OF FOCUS	MATTERS CONSIDERED
	- Reviewed the independence of the Internal Auditors. It was brought to the BAEC's attention that there were no conflict of interests arising from the Internal Audit engagements in the financial year 2020 and had conducted its internal audit as stated in the Audit Charter. - Assessed the effectiveness of Internal Audit Function of BHB Group focusing on seven (7) criteria of the Internal Audit function as follows: (i) Adoption of a recognised Internal Audit Framework; (ii) Independence and objectivity; (iii) Planning the audit; (iv) Effectiveness of Internal Audit Function; (v) Resources management; (vi) Communicating audit result; and (vii) Monitoring progress. Overall, the disclosures made in BHB's Annual Report and Corporate Governance Report as well as the existing practices and processes documented in Internal Audit Manual, Internal Audit Plan and Internal Audit Report of the Internal Auditors have adequately addressed the seven (7) criteria and key observations made in Bursa Securities' report on Effectiveness of Internal Audit Function: Thematic Review Findings and Key Takeaways that was co-published with the IIAM.
External Audit	- Deliberated and approved on behalf of the Board, the external auditor's 2020 audit plan encompassing the audit approach, roles and responsibilities, the nature and scope for the year's audit, audit fees, reporting schedule, potential key audit risk matters, risk assessment, Information Technology ("IT") approach, transition plan, reliance with Internal Auditor and value-added services. The external auditor informed that focus for the Group will be on areas related to IT security and controls over key financial information systems that are used to record and process critical financial data. The objective of the IT audit review is to assist the external auditor to form an opinion on the financial statements. The BAEC took note on the impact of the COVID-19 pandemic and the external auditor has tailored the audit procedures accordingly to address the heightened risks arising from the extended Movement Control Order ("MCO") and its equivalent in other regions, as well as the global economic slowdown and government reliefs made available to the public. The outputs show both significant risks and other judgmental risks for the FY2020 audit arising from COVID-19 which are outlined below: <u>Potential heightened risks with significant impact on audit</u> 1. Risk of fraud due to management override of controls; 2. Risk of fraud in revenue recognition; 3. Expected credit losses ("ECL") measurement, including staging impact arising from financing repayment moratorium; and 4. Valuation of Takaful contract liabilities; <u>Potential risks with moderate impact on audit</u> 5. Modification loss arising from financing repayment moratorium and relief measures from government schemes; 6. Impairment of financial assets at fair value through other comprehensive income ("FVOCI") and amortised cost ("AC"); 7. Classification and measurement of financial assets at fair value through profit and loss ("FVTPL"), FVOCI and AC; and 8. IT security risk.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

AREAS OF FOCUS	MATTERS CONSIDERED
	- Evaluated the independence and objectivity of the external auditor by reviewing the fees and the list of non-audit services provided by the external auditor to BHB and the Group. The BAEC requested that justification is to be provided by the Management on the external auditor's audit fee. The BAEC was informed that the audit fees were justified with an additional value added-services to BHB Group, at no additional cost. The value added services are as follows: - MFRS 9 model monitoring procedures (4 portfolios); - Data input testing for the MFRS 9 models (4 portfolios); - Modification loss audit procedures; and - Review of management overlay. - The BAEC exercised its right as stipulated in its Terms of Reference, to hold meetings with the external auditor without the presence of the Management to enable open discussion with the BAEC. During the financial year under review, two (2) meetings were held without the Management's presence, namely on 29 January 2020 and 28 October 2020. - Assessed the performance of the external auditor by reviewing the timeliness of service deliverables. The external auditor was able to complete the audits for BHB and the Group within the timelines set as evidenced below: - The audited financial statement for the financial year ended 31 December 2019 were completed on 30 April 2020. However, due to the COVID-19 Pandemic and the MCO by the Government, the signed off by the external auditor was on 14 May 2020; - Report on limited review for the financial period 30 September 2020 was signed off by the external auditor on 30 October 2020; and - No past audit lapses were observed on the external auditor in the past assurance engagements. - Reviewed and recommended to the Board the re-appointment of external auditor. The BAEC will evaluate the recommendations based on the performance, independence and suitability of the external auditors. In reviewing the performance, independence and suitability of the external auditors, the BAEC reviewed the qualifications and the experiences of the audit team as well as conducted an assessment on the effectiveness and the performance of the external auditors and areas such as the scope of the audit, their independence and objectivity, audit fees and audit experience.

AREAS OF FOCUS	MATTERS CONSIDERED
Financial Reporting	- On 29 January 2020, the BAEC endorsed and recommended to the Board the audited financial statements of BHB Group for the financial year ended 31 December 2019 for approval. The review of the consolidated audited financial statements of BHB Group were based on the following: (1) Assurance from the Management and the External Auditors that the financial statements disclosures were in compliance with relevant statutory requirements and the Malaysian Financial Reporting Standards; (2) Reasonableness of accounting policies and estimates applied; (3) Reporting on-going concerns; (4) Highlight on key accounting development including MFRS 16 and MFRS 17; and (5) Pertinent audit matters highlighted by the External Auditors. - Reviewed the unaudited quarterly financial result of BHB Group and the draft announcement before recommending them for the Board's approval for submission to Bank Negara Malaysia, Bursa Securities as well as Securities Commission. The recommendations were made upon deliberation comprising the following: (1) Key audit matters; and (2) The condensed consolidated interim financial statement has been prepared in accordance with the Malaysian Reporting Standard 134, Paragraph 9.22 of the MMLR and International Accounting Standard 34. - Recommended the proposed interim single tier dividend for the financial year ending 31 December 2020. The BAEC reviewed and received assurance from the Management, based on the solvency test conducted, that the distribution of interim single tier dividend was in accordance with the provisions made under the Act, 2016.
Related Party Transactions	- On 30 April 2020, the BAEC reviewed all related party/recurrent related party transactions entered into by BHB Group for the financial year ended 31 December 2019 and the Circular to Shareholder with regard to the proposed renewal of Shareholders' mandate for existing related party transactions of a revenue or trading nature. The same was recommended to the Board that BHB Group complied with the MMLR. - Reviewed the disclosure on the related party transactions and related party balances of BHB Group on quarterly basis i.e., 29 January 2020, 30 April 2020, 27 July 2020 and 28 October 2020 and in compliance with the MMLR.
Annual Reporting	Reviewed and endorsed the BAEC's overview report, Statement of Risk Management and Internal Control and contents of other disclosures pursuant to the MMLR for the Board's approval.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

AREAS OF FOCUS	MATTERS CONSIDERED
Other Activities	- Reviewed the report on compliance six (6) times a year. The report highlighted the status of compliance of the Company and its key operating subsidiaries pursuant to the following regulatory requirements: - Capital Market & Financial Law - Capital Markets & Services Act 2007 - Islamic Financial Services Act 2013 - Malaysian Financial Reporting Standard - Bank Negara Malaysia's Financial Reporting for Islamic Institutions - Bank Negara Malaysia's Observation Period Reporting (Capital Adequacy Ratio and Liquidity Coverage Ratio) - Main Market Listing Requirements - Companies Act 2016 - Corporate Governance - Bank Negara Malaysia's Policy on Corporate Governance - Malaysian Code on Corporate Governance 2017 - Whistle Blowing Policy The Management highlights any non-compliance to the BAEC and make recommendations on the control and mitigation plans. - Endorsed and recommended to the Board on the Zakat computation for BHB and its subsidiaries namely Syarikat Al-Ijarah Sdn. Bhd. and BIMB Securities (Holdings) Sdn. Bhd. for the financial year ended 31 December 2019.

TRAINING AND DEVELOPMENT

All members of the BAEC have the relevant accounting or related financial management experience or expertise. The BAEC members are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes. During the year under review, the BAEC members attended several seminars and training conferences to keep abreast with the latest developments.

Details of the seminars and training programmes attended by each Director in 2020 can be found in the CG Report 2020.

PERFORMANCE REVIEW OF THE BAEC

Based on the annual evaluation on the effectiveness of the Board, its Committees and the members of the Board, the Board is satisfied with the performance of the BAEC and its members. The BAEC has discharged its duties in accordance with its Terms of Reference and in line with the requirements of MCCG, BNM CG Policy and MMLR.

INTERNAL AUDIT FUNCTION

Independence and Responsibilities

The Internal Audit Division (“**IAD**”) plays an important role in the governance of BHB in providing independent review and assessment on the adequacy, efficiency and effectiveness of risk management, internal control and governance practices implemented by the Management. The internal audit function of BHB and its subsidiaries (save for Syarikat Takaful Malaysia Keluarga Berhad) is carried out by the IAD of Bank Islam and is independent of the activities or operations of other operating units in the Group. As outlined in the Audit Charter, the internal audit function reports to the BAEC and administratively to the Chief Executive Officer to ensure independence, proficiency and professionalism.

The IAD is led by the Chief Internal Auditor namely Encik Zalfitri Abd Mutalip (“**Encik Zalfitri**”). Encik Zalfitri has over twenty (20) years audit experience in the financial and banking industry. Encik Zalfitri who is qualified with a degree in Bachelor of Science in Business Administration (Finance) and Chartered Professional in Islamic Finance (“**CPIF**”). He is also a Certified Internal Auditor for Financial Institution (“**CIAFIN**”).

The IAD is primarily responsible to undertake regular and systemic reviews in conformance with the International Professional Practices Framework and the Internal Audit Charter so as to provide reasonable assurance that the risk management process, internal controls and governance practices of BHB and its Group are operating satisfactorily and effectively and are in line with the Group’s goals and objectives.

The internal audit functions of Bank Islam and Takaful Malaysia are carried out by their respective internal audit divisions.

Methodology and Framework

IAD evaluates the effectiveness of the risk management process and the adequacy and effectiveness of controls in responding to the risks within the organisation’s governance, operations, information systems and Shariah practices. The IAD has an effective audit methodology to assess the risk profile and vulnerabilities of each auditable area.

The IAD adopts a risk-based methodology which focuses on the following three (3) components:

- i. Impact and likelihood of the inherent risk;
- ii. The respective controls in place; and
- iii. Existence of effective risk transfer and loss impact reduction practices in minimising potential losses from negligence or fraud.

IAD adopts the standards and principles outlined in the Internal Control Framework of Committee of Sponsoring Organization of the Treadway Commission (“**COSO**”) and the objectives set by the Institute of Internal Audit’s International Professional Practices Framework which comprises of the core principle for the Professional Practice of Internal Auditing, the definition of Internal Auditing and Code of Ethics.

Based on the annual risk assessment, the IAD will draw up an audit plan covering all audit assignments to be performed over the financial year period. This annual audit plan will be tabled and approved by the BAEC or the Board of Directors.

Scope and Resources

The BAEC together with the IAD, reviews the adequacy and relevance of the scope, functions, resources, procedures, risk based internal audit plans and results of the internal audit processes. It also reviews and approves the Annual Internal Audit Plan, which includes the audit scope, methodology and practices, timing and resources, assessment of risk, comparison of actual versus budgeted time spent on assignments and audit fee.

The audit covered during the financial year includes, but is not limited to accounting and finance, legal, secretarial, regulatory and Shariah compliance, human resources, information technology, corporate communication, strategic management and subsidiaries.

Amongst the key areas reviewed during the financial year ended 2020 are:

- i. Procurement and Finance;
- ii. Media and Communication;
- iii. Corporate Governance;
- iv. Human Resources;
- v. Regulatory and Shariah Compliance;
- vi. Operation and Risk Management;
- vii. Investments;
- viii. Corporate Strategy;
- ix. Information Technology;
- x. Cyber Security;
- xi. Fraud and Bribery; and
- xii. Business Continuity Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

Based on the audit carried out in the financial year ended 31 December 2020, amongst the risk covered are non-compliance with regulatory requirements, non-compliance with procedures and policies, ineffective human resource management, deficiencies in procurement management, breach of cyber security and non-Shariah compliance.

During the financial year under review, IAD issued a total of four (4) audit reports of which one (1) for BHB's operations and Shariah, one (1) for IT systems and one (1) each for BIMB Securities (Holdings) Sdn. Bhd. and Syarikat Al-Ijarah Sdn. Bhd. in relation to Operations and Shariah. Based on the audit performed, the ratings are as follows:

COMPANY	AUDIT REPORT	AUDIT RATING
BIMB Holdings Berhad	Operations and Shariah	Good
	IT System	Satisfactory
BIMB Securities (Holdings) Sdn. Bhd.	Operations and Shariah	Good
Syarikat Al-Ijarah Sdn. Bhd.	Operations and Shariah	Good

The scope of the Internal Audit Reports covers improvement opportunities, audit findings, management responses and corrective actions in areas with significant risks and internal control deficiencies. All Internal Audit Reports on the Company and its wholly-owned subsidiaries were tabled to the BAEC for deliberation. The Management were present at the BAEC meetings to respond and provide feedback on the progress of business process improvement opportunities identified by IAD. The Minutes of the BAEC meetings were subsequently tabled to the Board for notification.

As at 31 December 2020, a total of RM16,000.00 fees was payable to IAD, based on the staff strength of five (5) internal auditors with an estimated of 53 man-days.

IAD ACTIVITIES IN 2020

The summary of the activities of the IAD for the year under review are as follows:

INTERNAL AUDIT PLAN	ADEQUACY OF INTERNAL CONTROLS	AUDIT ISSUES
Preparation of the Audit Plan for approval of the BAEC. The Audit Plan was developed based on assessment of the significant potential risk exposure of the auditable areas.	Provide independent and objective assurance on the adequacy of internal controls implemented to mitigate risk exposures. Prepare audit report consisting of observations, improvement opportunities, management responses, deadline and person-in-charge for implementation or corrective actions have been issued to the respective stakeholders.	Follow-up on the Management corrective actions on audit issues raised by the IAD. Determine whether corrective actions taken have generally achieved the desired results.
AUDIT REPORT	CONTROLS	COMPLIANCE
Report to the BAEC, the final audit report highlighted in the audit plan coverage, audit scope and risks covered, audit rating, significant audit findings, findings escalated for Management's immediate action and status of corrective actions.	Reported to the BAEC the adequacy, reliability, integrity and compliance of: - risk management, internal controls and governance processes; - Information Technology, stress testing procedures and practices and the back-up system to cover for contingencies and disaster; and - Regulatory reporting, accounting records, financial reports and management information.	Review compliance with relevant legal, regulatory and internal policies as well as in compliance with Shariah rules and principles as determined by the Shariah Supervisory Council and Shariah Compliance Policy.
RELATED PARTY TRANSACTIONS		
Provide an independent review on the related party transactions between Lembaga Tabung Haji, BHB and its subsidiaries.		



ENCIK MOHD TARMIDZI AHMAD NORDIN

Chairman of the BRC
Independent Non-Executive Director

BOARD RISK COMMITTEE REPORT ("BRC")

Chairman

Encik Mohd Tarmidzi Ahmad Nordin

Independent
Non-Executive Director
Total Attendance: 8/8
100%

Members

Puan Noraini Che Dan

Senior Independent
Non-Executive Director
Total Attendance: 6/8
75%

Encik Zahari @ Mohd Zin Idris

Non-Independent
Non-Executive Director
Total Attendance: 8/8
100%

Membership

The BRC consists of three (3) members and majority of the members are Independent Non-Executive Directors. The Chairman, namely Encik Mohd Tarmidzi Ahmad Nordin, is an Independent Non-Executive Director and is not the Chairman of the Board.

Further details of the BRC composition and the meetings attended by each member can be found in the CG Report.

Roles and Responsibilities

The BRC focuses on risk management issues and oversees the Management's activities in managing significant risk areas of the Group.

Further information on the BRC's roles and responsibilities as highlighted in its Terms of Reference is available on the Company's website at www.bimbholdings.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

HOW THE BRC OPERATES

Risk management plays an integral part in BHB and the Group's governance practices. The BRC was established on 26 July 2016 to assist the Board to manage risk within an established sound and robust risk management framework. The Group's risk management framework is in place to ensure an effective on-going process to manage risk across the Group. This process is regularly reviewed by the Board through the BRC which provides oversight over the risk management activities for the Group. The BRC also assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models.

MEETINGS

During the financial year under review, eight (8) BRC meetings were held. This satisfies the BRC Terms of Reference, which requires the BRC to meet at least six (6) times a year.

The BRC meetings are planned ahead for the following financial year. The proposed schedule of meetings is tabled to the Board and later communicated to the BRC members. The BRC members are provided with the meeting papers and updates of outstanding matters from the previous meeting or matters discussed at the Group Risk Management Committee meeting prior to the meeting.

The Chief Executive Officer, Group Chief Financial Officer, Group Company Secretary, Chief Economist, Chief Risk Officer and Chief Compliance Officer of the respective key operating subsidiaries attend BRC meetings. Other attendees, whether internal or external are invited to present the matters within their purview.

The Group Company Secretary circulated action items from the deliberations and decisions made from the BRC meetings to the Management and the respective stakeholders within seven (7) days after the meetings for their further action.

The Chairman of the BRC updates the Board on key matters deliberated at the BRC meetings. In addition, minutes of the BRC meetings are tabled to the Board for notification. Any members of the Board may enquire or seek clarification on the matters deliberated by the BRC as recorded in the minutes.

THE BRC ACTIVITIES IN 2020

The BRC activities in the year under review are summarised as below:

MATTERS CONSIDERED

- Monitored and discussed the risk reports of the key operating subsidiaries and where appropriate, provided guidance to the management;
- Deliberated the Group's strategic risks, corresponding key operational risks and key controls taken to manage the risks;
- Reviewed the Statement of Risk Management and Internal Control, which summarises the risk management practices and internal controls implemented by the Management;
- Reviewed the BRC's overview report;
- Streamlined the risk reporting to facilitate easier monitoring of the risk associated to the key operating subsidiaries;
- Deliberated the Compliance and Risk Management dashboard (market risk, operational risk, credit risk, concentration risk, liquidity risk, capital adequacy and insurance risk movement), key risk indicator and stress test tabled by the key operating subsidiaries;
- Discussed on the measures taken by Bank Negara Malaysia to address the impact of the COVID-19 pandemic as well as measures adopted by the key operating subsidiaries;
- Deliberated on the internal capital adequacy assessment process of key operating subsidiaries;
- Reviewed the compliance reporting in accordance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, Islamic Financial Services Act 2013, Personal Data Protection Act 2010 including other regulatory requirements and Shariah non-compliance, tabled by the key operating subsidiaries;
- Reviewed reports on risk incidents which occurred in the financial year and deliberated the adequacy and effectiveness of preventive and corrective actions taken;
- Reviewed the risk appetite statement and key emerging risks of key operating subsidiaries;
- Reviewed the findings and observations by the relevant regulatory authorities and the action plan in relation to key operating subsidiaries; and
- Oversee the functions of the Group Risk Management Committee.

GROUP RISK MANAGEMENT COMMITTEE

At the Management level, the BRC is supported by the Group Risk Management Committee (“**GRMC**”) to help monitor and evaluate the effectiveness of the Group’s risk management and that internal controls are in place and functioning effectively. The GRMC is chaired by the Chief Risk Officer of Bank Islam. The other members of the GRMC are the Group Chief Financial Officer, Chief Risk Officer and Chief Compliance Officer of each key operating subsidiaries as well as the Chief Economist of Bank Islam and BIMB Securities.

The GRMC is responsible for:

- developing and co-ordinating the Company’s risk management framework within the Group on an on-going basis;
- consolidating, assessing and reporting risk information from across the Group; and
- ensuring the implementation of risk management process across the Group.

The Company risk management process is a step-by-step process as follows:



During the year under review, the GRMC met seven (7) times. The GRMC collates and reports to the BRC the risk associated to the subsidiaries. The risks include credit risk, market risk and operational risk. Emerging issues and compliance risks are also deliberated in the GRMC meetings and further action is taken by the relevant key operating subsidiaries prior reporting the same to the BRC.

PERFORMANCE REVIEW OF THE BRC

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision-making for the achievement of the Group’s strategic and long-term objectives.

Based on the Board evaluation 2020, the Board is satisfied with the performance of the BRC and its members and that it has discharged its responsibilities in accordance with its mandate and Terms of Reference.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(PURSUANT TO PARAGRAPH 15.25 (1) OF THE MMLR OF BURSA SECURITIES)

CORPORATE REPORTING AND SHAREHOLDER ENGAGEMENTS

The Board recognises the importance of timely, complete, accurate and equal dissemination of information with regard to the Company and its Group's performance and other matters affecting Stakeholders' interest. The Company is committed to providing effective and open communication in order to improve disclosure and transparency.

CORPORATE DISCLOSURE POLICY ("CDP")

A CDP has been formulated to enhance BHB's corporate governance, particularly in the area of transparent disclosure to the public. The purpose of the CDP is to enable Shareholders and stakeholders to access business information beyond the Company's financial disclosure. In addition, it ensures that both the Board and Management are able to communicate effectively with stakeholders on a timely basis.

INVESTOR RELATIONS/STAKEHOLDERS POLICY

The Company has in place an Investor Relations ("IR") Policy to ensure that stakeholders, investors and the investment community, both local and international, as well as the general public are provided with relevant, timely and comprehensive information about BHB. The objective of the IR Policy is to lay down the principles and practices to be adopted by BHB in handling its communication so that investors and potential investors could make an informed investment decision and for the public at large to have a clear understanding of the Group and its objectives.

Channels of dissemination of relevant and material information include:

- Quarterly and Full Year Financial Results Announcements;
- Analysts Briefing Presentations;
- Meetings, conference and roadshows for institutional investors;
- Media Coverage;
- Corporate Website; and
- Annual General Meeting and Extraordinary General Meeting.

Investors can engage with BHB Group through the Investor Relations team, whose contact details are available on the Company's corporate website.

CONDUCT AT GENERAL MEETINGS

In 2020, BHB held its 23rd AGM on 26 August 2020 with the Notice of the Agenda of the 23rd AGM issued to the shareholders on 27 July 2020 (this being 29 clear days before the meeting). The Notice and Agenda of the 23rd AGM were also published in the local English and Bahasa Malaysia newspapers and made available on the Company's website at www.bimbholdings.com.

In view of the pandemic and the Movement Control Order ("MCO") in year 2020, the Notice of the 23rd AGM as well as the 2019 Integrated Annual Report were issued to Shareholder digitally. Shareholders were encouraged to download the 2019 Integrated Annual Report by scanning the QR Code. The initiative was also part of the Company's commitment to achieve cost efficiencies and in line with the Government directive.

The 23rd AGM was held fully virtual through live streaming and online remote voting via Remote participation and Electronic Voting facilities ("RPEV"), as per the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers (Guidance Note) issued by the Securities Commission Malaysia and the recommendation under Practice 12.3 of the MCGG.

The virtual AGM allow shareholders to be present during the meeting without having to be physically present at the venue. Only Directors, External Auditors, Chief Executive Officer and the Company Secretary were present at the virtual AGM to answer the shareholders' questions. Shareholders were free to raise questions prior to the meeting and receive responses in real time through the online platform.

The virtual AGM was conducted by poll/e-voting in accordance with Paragraph 8.29A of the MMLR (voting by poll). The outcomes of the voting on the proposed resolutions were disclosed to the market and posted on the Company's website after the AGM. Minutes of the AGM were made available to the Shareholders four (4) weeks after the AGM.

CONCLUSION

The Board considers that BHB has complied and applied the Principles of the MCCG in year 2020, except for the following:

Practice 4.5: The Board must have at least 30% woman Directors

Practice 7.2: The remuneration of Top-5 key Senior Management on a named basis

The Board has identified those Practices where there is a departure and these departures will be addressed as follows:

- An explanation for the departure;
- Disclosure of alternative practice adopted and how the alternative practice achieves the intended outcome;
- Actions which BHB has taken or intends to take; and
- The timeframe required to achieve application of the prescribed Practice.

Practice 4.5	The BNRC oversees the overall composition of the Boards and Board Committees in terms of appropriate size, skills, gender diversity and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual reviews. The Board is mindful of appointing Directors who have diverse skills, experience, age and gender, and remains committed to achieving at least 30% female representation on the Board whilst ensuring that overall diversity remains a central feature. During the financial year, Puan Noraini Che Dan is the sole woman director out of 5 members of the Board representing 20%.
Practice 7.2	The Board decided not to disclose on a named basis, the top five (5) Senior Management's remuneration components including salary, bonus, benefit in-kind and other emoluments in bands of RM50,000. The Board viewed that such disclosure would be disadvantageous to the Group's business interests, in which the disclosure of that sensitive information may result in excessive competition for talent in the banking industry. The Company will closely monitor developments in the market in respect of such disclosure for future consideration.

This Corporate Governance Overview Statement was approved by the Board of Directors of BIMB Holdings Berhad on 14 April 2021.

Further information in the application of the practices captured in the Principles of MCCG during the financial year, please refer to the CG Report 2020 which can be found in the Company's website www.bimbholdings.com.

ADDITIONAL COMPLIANCE INFORMATION

(AS AT 31 DECEMBER 2020 PURSUANT TO THE MMLR OF BURSA SECURITIES)

1. AUDIT AND NON-AUDIT FEES

A breakdown of fees for statutory audit and non-audit services incurred by BHB and on group basis for the financial year ended 31 December 2020 is set out under Note 39, on page 262 of the Integrated Annual Report.

2. LIST OF PROPERTIES

The list of BHB's properties is set out on pages 350 to 356 of the Integrated Annual Report.

3. MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

Save as disclosed below and the related party transactions disclosed in Note 46 of the Financial Statements, no other material contract entered into by BHB or its subsidiary companies involving Directors and/or major shareholders' interest was still subsisting at the end of the financial year or entered into since the end of the previous financial year.

- (a) A Deed Poll dated 25 October 2013 was executed by BHB constituting the issuance of 426,715,958 free detachable warrants pursuant to the renounceable rights issue of 426,715,958 new ordinary shares of RM1.00 each in BHB ("Right Share") together with 426,715,958 free detachable warrants.

4. GENERAL MANDATE

BHB Group had at the last AGM obtained a general mandate from its shareholders to allow BHB and/or its subsidiaries, in their normal course of business, to enter into recurrent transactions of a revenue or trading nature with related parties (RRPTs) which are necessary for its day-to-day operations, on terms not more favourable to the related party than those available in the general public and not to the detriment of the minority shareholders. The RRPTs Mandate is valid until the conclusion of the forthcoming AGM of the Company. The breakdown of the aggregate value of the recurrent related party transaction made during the financial year are as follows:

NATURE OF TRANSACTIONS	RELATED PARTY/PRINCIPAL ACTIVITIES	INTERESTED DIRECTOR AND/OR MAJOR SHAREHOLDERS	ACTUAL VALUE TRANSACTED FROM 23 TH AGM TO 31/03/2021 RM'000	PREVIOUS ESTIMATED AGGREGATE VALUE AS DISCLOSED IN THE CIRCULAR TO SHAREHOLDERS DATED 30/04/2021 RM'000
* Rental of office premises payable by Bank Islam to TH.	TH TH is principally involved in providing pilgrimage management services, saving and depository services, investment holding and rental of buildings.	<u>Interested major shareholder</u> TH is a major shareholder of BHB with 53.14% shareholding. <u>Interested Directors</u> 1. Datuk Nik Mohd Hasyudeen Yusoff being the Group Managing Director and Chief Executive Officer of TH is also a Director of BHB and Bank Islam. He has no direct/indirect shareholding in TH, BHB and Bank Islam.	20,326	21,951

NATURE OF TRANSACTIONS	RELATED PARTY/PRINCIPAL ACTIVITIES	INTERESTED DIRECTOR AND/OR MAJOR SHAREHOLDERS	ACTUAL VALUE TRANSACTED FROM 23 TH AGM TO 31/03/2021 RM'000	PREVIOUS ESTIMATED AGGREGATE VALUE AS DISCLOSED IN THE CIRCULAR TO SHAREHOLDERS DATED 30/04/2021 RM'000
		2. Puan Noraini Che Dan and Encik Zahari @ Mohd Zin Idris are Directors of Bank Islam and they are also Directors of BHB. They have no direct/indirect shareholding in Bank Islam and BHB. 3. Encik Mohd Muazzam Mohamed, the Chief Executive Officer of BHB is also the Chief Executive Officer of Bank Islam. He has no direct/indirect shareholding in BHB and Bank Islam.		
* Rental of office premises payable by Bank Islam to Takaful Malaysia.	Takaful Malaysia Takaful Malaysia is principally involved in family and general takaful business.	<u>Interested Directors</u> 1. Datuk Nik Mohd Hasyudeen Yusoff being the Group Managing Director and Chief Executive Officer of TH is also a Director of BHB and Bank Islam. He has no direct/indirect shareholding in TH, BHB, Takaful Malaysia and Bank Islam. 2. Puan Noraini Che Dan and Encik Zahari @ Mohd Zin Idris are Directors of Bank Islam and they are also Directors of BHB. They have no direct/indirect shareholding in Bank Islam, Takaful Malaysia and BHB. 3. Encik Mohd Muazzam Mohamed, the Chief Executive Officer of BHB is also the Chief Executive Officer of Bank Islam. He has no direct/indirect shareholding in BHB, Takaful Malaysia and Bank Islam.	2,036	2,499

There is no amount due and owing to BHB by its related parties pursuant to the RRPTs.

Notes

- * The rental sum of the properties was arrived at or estimated based on the on-going or expected market rate at the time the tenancy agreement was or to be executed.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("**Board**") is pleased to provide the following Risk Management and Internal Control Statement (the "**Statement**") which outlines the nature and scope of risk management and internal controls of the Group during the financial year ended 31 December 2020.

This Statement has been made in line with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

The Board is committed and acknowledges its responsibility to oversee the system of risk management and internal controls within the Group, including reviewing the adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets.

The Board has received assurance from BHB's Chief Executive Officer ("**CEO**") and the Group Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.

Taking into consideration assurances from the Management and the input from the relevant assurance providers, the Board is of the view that the systems of risk management and internal control are performing satisfactorily and are adequate to safeguard the shareholders' investments, customers' interest and the Group's assets. The Group will continue to implement new measures to strengthen its internal controls and risk management environment.

BOARD RESPONSIBILITY

The Board recognises that a sound system of internal controls and risk management practices are essential in ensuring good corporate governance. Such a system is designed to manage an acceptable risk profile rather than eliminate the risk of failure to achieve the Group's business objectives; and can only provide reasonable (and not absolute) assurance against material misstatement, fraud or loss.

As a financial holding company ("**FHC**"), continuous enhancements are being made to the system of internal controls in line with the Board's commitment to continuously improve the Group's governance, risk management and internal control framework and control culture. The environment for the proper control of the Group's business operations is also in line with Bank Negara Malaysia's ("**BNM**") regulatory framework.

At BHB level, the internal control oversight responsibilities are carried out by the following committees:

- **Board Audit & Examination Committee ("**BAEC**")**

The main responsibility of the BAEC is to assist the Board in assessing the effectiveness of the Company's system internal controls and overseeing the internal control of the accounting system. This is to ensure that appropriate methods and procedures are in place to attain the level of assurance required by the Board. The BAEC reviews the quarterly reports relating to regulatory developments, compliance and operational deficiencies identified within the Company. The minutes of the BAEC are circulated to the Board for information.

The Terms of Reference is available on the Company's website www.bimbholdings.com.

- **Board Risk Committee ("**BRC**")**

The BRC is responsible for assisting the Board on risk management, overseeing the Management's activities in managing significant risk areas and ensuring that the risk management framework is in place and functioning effectively. At the Management level, the BRC is supported by the Group Risk Management Committee ("**GRMC**") to oversee the risk management at group level. The minutes of the BRC are circulated to the Board for information.

The Terms of Reference is available on the Company's website www.bimbholdings.com.

In respect of the key operating subsidiaries, in particular Bank Islam Malaysia Berhad ("**Bank Islam**") and Syarikat Takaful Malaysia Keluarga Berhad ("**Takaful Malaysia**"), the internal control oversight function is carried out by the respective subsidiaries' BRCs'. At BIMB Securities Sdn Bhd ("**BIMB Securities**"), the risk management and internal control oversight function is carried out by its Board Audit and Risk Committee ("**BARC**").

The risk management control structure and processes in place throughout the Group are reviewed from time to time to cater for the changes in the business environment. BHB's BAEC and BRC together with the respective BAEC/BRC/BARC at the key operating subsidiaries regularly review and monitor the Management's approach and actions in addressing key risks at the Company and subsidiary level. It also provides the Board and the Management with the platform to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles and risk appetites. This process had been in place and continued to be the Group's practice for the financial year under review and up to the date of approval of this Statement for inclusion in this Integrated Annual Report.

In addition to the above, two (2) Management Committees at Group level, namely the Group Management Committee ("**GMC**") and GRMC, were established to assist the Board.

The GMC focuses on the group synergy within the Group whilst the GRMC assists the Board in managing the risk and internal control of the Group. Through these committees, the Management has oversight over the relevant key operating subsidiaries on the following matters:

MANAGEMENT RESPONSIBILITY

The Management is accountable for implementing the Board's policies and procedures on risks and control. Its role includes but is not limited to the following:

- Identify risks relevant to the business, implementation of strategies and the achievement of its objectives;
- Implement regular risk management reporting, monitoring and review as part of its risk management framework;
- Identify changes to risks or emerging risks, take actions as appropriate, and promptly bring these to the attention of the Board;
- Discuss the tolerance level for each of the operational business and ensuring that they are within the accepted parameters set by the relevant regulatory bodies;
- Implement the policies approved by the Board; and
- Report in a timely manner to the Board any changes to the risk profile and any corrective action taken.

Assurance in relation to the risk management and internal control is also obtained from the key operating subsidiaries confirming that their risk management and internal control is operating adequately and effectively, in all material aspects. Any material risk management and internal control deficiencies will be presented to the respective subsidiaries' BRC/BAEC/BARC and subsequently to their respective Boards.

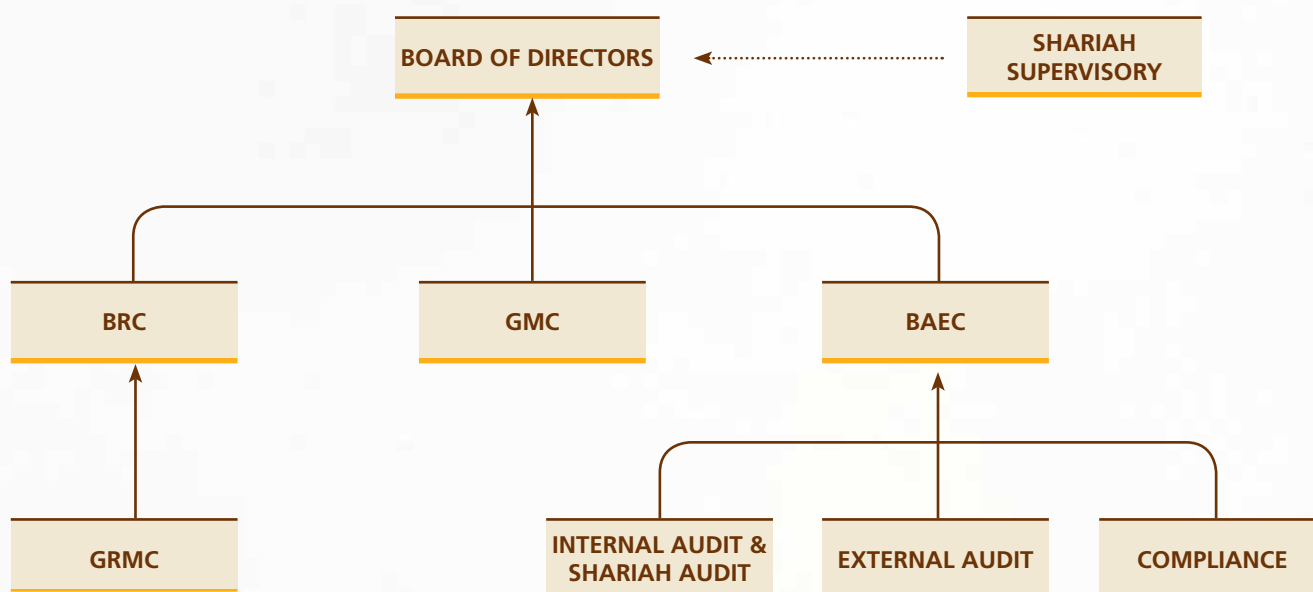
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY INTERNAL CONTROL STRUCTURE

The Board has established the following key processes to review the adequacy and effectiveness of the system of internal controls, including:

- **Risk Management Framework**

The Board has established an organisational structure and charter with clearly defined lines of responsibility, authority limits and accountability in association with the Group's business and operational requirements in order to maintain a sound control environment. The organisational structure is as follows:



Risk management is considered an integral part of the Group's day-to-day operations to facilitate BHB in achieving its objectives and to protect its shareholders and stakeholders' interest. Risk management is embedded in the Group's key processes and monitored through a Risk Management Dashboard ("**RMD**") report. The Group's key operating subsidiaries report their risks via the RMD at their BRC six (6) times a year. BIMB Securities reports its risks via the RMD at its BARC on quarterly basis.

The Group's risk management framework is in place to ensure that there is an effective on-going process in place to manage risk across the Group. This process is regularly reviewed by the Board through the BRC which provides oversight over the risk management activities for the Group. The BRC also assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. In discharging its overall duties and responsibilities, the BRC is supported by the GRMC which monitors and evaluates the effectiveness of the Group's risk management system on an on-going basis.

In addition to the risk management framework, the Group's key operating subsidiaries, namely Bank Islam and Takaful Malaysia have implemented the Internal Capital Adequacy Assessment Process ("**ICAAP**") framework to ensure that the Group maintains adequate capital levels consistent with the risk profiles including capital buffers to support the Group's current and projected demand for capital under existing and stressed conditions.

Each key operating subsidiary has appointed its own qualified risk officer who is responsible for monitoring, assessing and managing the risks associated with its business and operations. The RMD of each subsidiary is tabled at the GRMC, and where relevant, subsequently tabled at BHB's BRC.

The BRC or the BAEC/BARC (as the case may be) of the key operating subsidiaries will update their respective Boards on any new regulatory or statutory requirement that could impact the internal control and the risk management principles, policies, procedures and practices of the Companies and its subsidiaries.

- **Risk Appetite**

The BRC, through the Group's key operating subsidiaries, establishes the risk appetite and risk tolerance for the relevant entities. The defined risk appetite and risk tolerance are periodically reviewed by the respective Management and the respective Boards in line with the Group's business strategies and operating environment. Such review includes identifying and setting new risk appetite metrics for the business entity or removal of risk appetite metrics that are no longer applicable and updates on the risk appetite thresholds to be in line with the Group's business strategy and risk posture. The main business and operations inherent risks that were considered in the risk appetite review include regulatory compliance, credit, market and liquidity risk.

- **Board Audit and Examination Committee ("BAEC")**

The BAEC of BHB reviews the adequacy of internal controls within the Company based on the assessment performed by the internal auditors. Similarly, the BAEC of the key operating subsidiaries reviews relevant matters pertaining to its internal accounting controls on quarterly basis. In addition, the BAEC of BHB and its key operating subsidiaries also review and assess the adequacy of the scope and effectiveness of the internal and external audit functions. The BAEC assesses the independence and the quality of the external auditors' resources.

All significant findings by the internal auditors, external auditors and regulators are reported to the BAEC for review and deliberation. The BAEC reviews and ascertains that mitigation plans are implemented by Management to safeguard the interests of the Group and upkeep proper governance. The risk responses and internal controls that the Management has initiated are documented and recorded in the BAEC meeting minutes.

Pursuant to Paragraph 15.17(f) of the Listing Requirements of Bursa Malaysia Securities Berhad, two (2) separate meetings with the external auditors were conducted with the BAEC of BHB without the presence of the Management, to discuss on any issues relating to the Group during the financial year ended 31 December 2020.

- **Board Risk Committee ("BRC")**

The Group BRC is kept informed by its subsidiaries of their risk management policy statement and framework including the strategies, policies, the risk tolerance levels, governance and reporting structure.

At the key operating subsidiaries level, reviews and assessments were carried out on the adequacy of the risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these risks are operating effectively. In addition, they would also review the adequacy of relevant policies at the subsidiaries in meeting the relevant regulatory requirements including capital plan, dividend policy, investment and financing policy, single customer limit, business continuity plan and etc.

- **Group Management Committee ("GMC")**

The primary focus of GMC is to focus on group synergy. The GMC serves as a platform to discuss strategic issues, strengthen coordination and create Group synergies in order to meet the Group's objectives and create shareholder value.

The Chief Executive Officer of BHB is the Chairman of the GMC and the members comprise the Group Managing Director or CEO of the respective key operating subsidiaries.

- **Group Risk Management Committee ("GRMC")**

The GRMC has been established to identify and review the key risk areas of the Group. It ensures that appropriate risk management systems and internal controls are in place and functioning effectively. The GRMC is also responsible for assessing the adequacy of infrastructure, resources and systems for effective risk management, and where necessary to embark on the Group's initiative to share facilities and mobilise resources. In addition, the GRMC reviews the risk management periodic reports presented by the key operating subsidiaries on risk exposure, risk portfolio composition and risk management activities six (6) times a year.

The GRMC is chaired by the Chief Risk Officer of Bank Islam. Members consist of the Group Chief Financial Officer, the Chief Economist of Bank Islam and BIMB Securities as well as the Chief Risk Officer and the Chief Compliance Officer of the key operating subsidiaries.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Internal Audit**

The internal audit function of BHB and its subsidiaries (save for Takaful Malaysia) is carried out by the Internal Audit Division of Bank Islam. For Takaful Malaysia, the internal audit function is carried out by its own independent internal audit department.

The Internal Audit assesses compliance with policies and procedures and the effectiveness of the Group's internal control systems. The Internal Audit undertakes regular reviews of BHB and its subsidiaries' operations and business processes. It examines and evaluates the adequacy and efficiency of financial and operating controls and highlights significant risks and non-compliance. Where applicable, the Internal Audit will provide recommendations to improve the management of risks, control and governance processes. The BAEC regularly reviews the status of rectification actions on the findings or recommendations by the internal auditors. Further details on the internal audit activities are provided in BHB's BAEC report.

Internal audit is performed on all key divisions in the Group, and provides the respective BAEC an independent assurance on the operational, financial, compliance and risk related activities within the Group. The risk-based internal audit plan is approved by the BAEC of the key operating subsidiaries on annual basis. All internal audit observations are highlighted in the internal audit reports and reviewed by the BAEC.

- **Shariah Advisory and Shariah Audit**

It is a fundamental requirement for an Islamic financial institution to have its entire business practices and operations based on Shariah rules and principles. Islamic finance derives its value proposition from the application of Shariah contracts in financial transactions that provide for different risks and return profiles. Adherence to Shariah principles under such distinct contracts preserves the validity and sanctity of any Islamic financial transactions. As such, BHB is committed to upholding these principles by its strict observance of the Shariah Governance Policy Documents outlined by BNM dated 20 September 2019.

The Shariah advisory function of BHB and its subsidiaries (save for Takaful Malaysia and BIMB Securities) is carried out by the Shariah Supervisory Council ("SSC") of Bank Islam. For Takaful Malaysia and BIMB Securities, the Shariah advisory function is carried out by its own independent Shariah committee.

One of the key responsibilities of the SSC/Shariah committees is to advise its respective Boards on Shariah matters in relation to business operations and Shariah compliance, auditing the operational aspect of BHB and endorsing the zakat computation and distribution.

The Shariah audit function of BHB and its subsidiaries (save for Takaful Malaysia) is carried out by the Shariah Audit unit of the Internal Audit Division of Bank Islam. For Takaful Malaysia, the Shariah audit is carried out by its own independent Shariah department.

The Shariah audit assesses matters relating to Islamic business operations and activities, particularly on Shariah compliance related matters as well as zakat computation and payment based on the Shariah Compliance Policy. The principal objective is to provide an independent assessment and assurance to add value and improve the degree of compliance in relation to BHB's Islamic business operations as well as ascertaining a sound risk and internal control for Shariah Compliance.

The same methodology used in internal audit is used in carrying out the Shariah audit, which includes audit planning, substantive procedures, reporting and follow up on remedial actions.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the internal control systems are described below:

Board Meetings	At a minimum, the Board meets six (6) times a year and has a formal agenda on matters for discussion. The CEO leads the presentation of board papers and provides explanation on pertinent issues. A thorough deliberation and discussion by the Board is a prerequisite before arriving at any decision. In addition, the Board is kept updated on the Group's activities and operations on a timely and regular basis.
Group Organisation Structure	The Board has established an organisational structure with clearly defined lines of responsibility, authority limits, and accountability aligned to business and operational requirements which support the maintenance of a strong control environment.
Limit of Authority Matrix	The Group has clearly defined lines of authorities to facilitate prompt responses in the continuously evolving business environment, effective supervision of day-to-day business conducts and accountability. The establishment of Limit of Authority ("LoA") matrix clearly outlines the Board and Management's limits and approval authorities across various key processes. The LoA is approved by the Board and is subject to regular review and enhancement to ensure it reflects changes in accountability and risk appetite of the Group.
Standard Operating Procedures	Documented Standard Operating Procedures ("SOPs") for all departments of BHB and its subsidiaries are approved by the respective Management. The SOPs serves as a day-to-day operational guide to ensure compliance with financial and operational controls as well as the applicable laws and regulations. All SOPs are reviewed and updated regularly to reflect current risks, new regulatory requirements and current operations.
Human Resources Policies and Procedures	The Human Resources policies and procedures of BHB and its subsidiaries encompasses areas of human resources management such as the recruitment of new employees based on "fit and proper" criteria, performance appraisals, training and development.
Annual Business Plan and Budgeting Process	The Group's budget is prepared based on the annual business plans of BHB's key operating subsidiaries. The budget and business plans are approved by the respective Boards and subsequently endorsed by BHB's Board. Actual performances of the subsidiaries are reviewed against the targeted results on a quarterly basis to allow for a timely response and for corrective actions to be taken, thus ensuring that business targets are met. The subsidiaries' performances are assessed against the budget, business plans and relevant key financial indicators.
Information Technology ("IT") System	IT is key in supporting the service efficiency and delivery systems of the Group. The IT Risk Framework was developed to ensure that risks are correctly identified and mitigated accordingly. Bank Islam and Takaful Malaysia have developed their IT policies to address issues of security and risk related to IT. The subsidiaries continue to upgrade their IT systems to enhance efficiency of their business operations and services.
Performance Review	The Board receives and reviews Management reports on the Group's financial and operational performance, risk management as well as legal and regulatory matters on a quarterly basis. The report on financial performance highlights the key financial indicators, including ratios on profitability, capital adequacy and asset quality. The actual performance of BHB and its key operating subsidiaries are assessed against approved budgets and business plans, key financial indicators and industry benchmark. The assessment enables the Management to identify any significant deviations and gaps for remedial measures to be implemented where necessary.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Whistle Blowing Policy	There is an established process for reporting anyone suspected to be abusing or circumventing processes and controls. All staff are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentially and that the reporter's identity will be protected.
Shariah Compliance Policy	The policy is formulated to enable BHB to communicate its Shariah governance framework and strategies towards the effective and efficient Shariah governance throughout the Company in line with the Shariah rules and principles, provisions of the Islamic Financial Services Act 2013, BNM's Shariah Governance Framework for Islamic Financial and the relevant resolutions of the Shariah Advisory Council of BNM (" SAC ") as well as SSC of Bank Islam's decision regarding BHB.
Anti-Bribery and Corruption Policy	The policy serves as a guide to BHB and its subsidiaries in regard to prohibition of any bribery and corruption activities. It is formulated in accordance with the provisions under the Malaysian Anti-Corruption Commission (" MACC ") Act 2009: Act 694, Section 17A of the MACC (Amendment) Act 2018: Act A1567 and all other relevant laws. The policy sets out BHB's zero-tolerance approach against all forms of bribery, corruption and any other non-regulatory compliance related risks.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide 3 ("**AAPG 3**") (Revised 2018), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("**MIA**") for inclusion in the Integrated Annual Report of the Group for the financial year ended 31 December 2020.

Based on the review conducted, the external auditors have reported to the Board that nothing has come to their attention that would cause them to believe that this Statement:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

AAPG 3 (Revised 2018) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Integrated Annual Report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board dated 14 April 2021.



PUAN NORAINI CHE DAN
Chairman
Board Audit & Examination Committee



ENCIK MOHD TARMIDZI AHMAD NORDIN
Chairman
Board Risk Committee

STATEMENT ON DIRECTORS' RESPONSIBILITY

This statement is prepared pursuant to the Companies Act 2016, and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their cash flows for that year then ended.

In preparing the financial statements for the year ended 31 December 2020, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured applicable Financial Reporting Standards have been followed; and
- prepared the financial statements on a going concern basis.

The Board has the overall responsibility to take all steps as are reasonably necessary to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

This statement is made in accordance with a resolution of the Board dated 14 April 2021.

LAYING THE FOUNDATION FOR FINANCIAL GROWTH

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Laying the Foundation for Financial Growth

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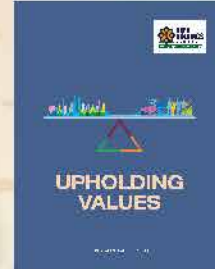
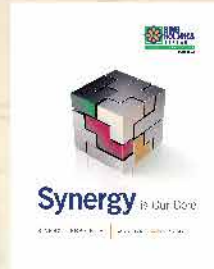
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DIRECTORS' REPORT

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

508,161

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 Mahmod (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.

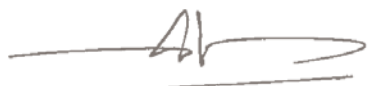
AUDITORS

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

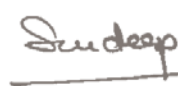
I, **Azizan bin Abd Aziz**, the officer primarily responsible for the financial management of BIMB Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 168 to 337 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously 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:



W607
GURDEEP SINGH
A/L JAG SINGH
01/01/2019-31/12/2021
MALAYSIA

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	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.

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.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (CONTINUED)

		Group		Company	
	Note	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.

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.

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

		Group		Company	
	Note	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)
		1,240,976	1,343,132	325,654	404,537
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

		Group		Company	
	Note	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					
		Share capital	Non-distributable Other reserves	Distributable Retained earnings	Total	Non-controlling interests	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	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					
		Share capital	Non-distributable Other reserves	Distributable Retained earnings	Total	Non-controlling interests	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	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>	<u>–</u>	<u>–</u>	<u>(15,881)</u>	<u>54,735</u>	<u>–</u>	<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		<u>844,159</u>	<u>–</u>	<u>(15,751)</u>	<u>52,685</u>	<u>881,093</u>

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)

(iii) 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)

(iii) 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.

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	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

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.

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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)
At 31 December	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 Ajil		Bai Al-Dayn		Bai Al-Inah		At- Tawarruq		Ijarah Muntahiah Bit-Tamleek [^]		Istisna' RM'000		Ar-Rahnu RM'000		Total RM'000	
	RM'000	Murabahah 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	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	Bithaman Ajl RM'000	Murabahah RM'000	Bai Al-Dayn RM'000	Bai Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit-Tamleek [^] RM'000	Istisna' RM'000	At-Rahnu RM'000	Total 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.

12 DEFERRED TAXATION (CONTINUED)

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

Group	As at 1.1.2019 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Effect on movement in exchange rate RM'000	As at 31.12.2019/ 01.01.2020 RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Effect on movement in exchange rate RM'000	As at 31.12.2020 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	(66)	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)	-	(1)	(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:

	Group	
Note	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	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
		%	%
Subsidiary of P.T. Syarikat Takaful Indonesia			
P.T. Asuransi Takaful Keluarga*#	Family Takaful business	74.80	74.80
BIMB Securities (Holdings) Sdn. Bhd.	Investment holding	100	100
Subsidiary of BIMB Securities (Holdings) Sdn. Bhd.			
BIMB Securities Sdn. Bhd.	Stockbroking	100	100
Subsidiaries of BIMB Securities Sdn. Bhd.			
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

2020

Cost

At 1 January 2020

Exchange difference

At 31 December 2020

Accumulated depreciation

At 1 January 2020

Depreciation for the year

Exchange difference

At 31 December 2020

Net carrying amount

At 31 December 2020

2019

Cost

At 1 January 2019

Exchange difference

At 31 December 2019

Accumulated depreciation

At 1 January 2019

Depreciation for the year

Exchange difference

At 31 December 2019

Net carrying amount

At 31 December 2019

	Freehold land RM'000	Freehold building RM'000	Leasehold land and building RM'000	Total RM'000
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
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
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
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	2019
	RM'000	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: – 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.	- 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:

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

Unrestricted investment accounts

Without maturity:

Mudharabah

– *Savings*

– *Demands*

With maturity:

Wakalah

Restricted investment accounts ("RA") managed by Bank Islam ^

With maturity:

Wakalah

^ 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

Government and statutory bodies

Business enterprises

Individuals

Non-bank financial institutions

International Islamic Bank

Others

Group	
2020	2019
RM'000	RM'000
5,113,275	3,211,343
4,446,643	2,880,046
666,632	331,297
6,908,837	6,586,200
12,022,112	9,797,543
11,915	35,062
4,385,196	3,747,895
1,130,539	769,038
4,840,308	3,448,415
1,514,680	1,739,850
–	10,001
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:

		2020		
	Note	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		219,481	(61,533)	157,948
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		699,610	(456,765)	242,845
		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		919,091	(518,298)	400,793
			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)

		2019		
	Note	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:

			Group
	Gross RM'000	Retakaful RM'000	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 (% p.a.)#</u>
(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	4,973	7,323

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 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)	3.31%

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	–

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

Finance income and hibah

Financing, advances and others

Financial assets:

– Fair value through profit and loss

– Fair value through other comprehensive income

– Other financial assets at amortised cost

Money at call and deposits with financial institutions

Other dealing income

Net (loss)/gain from sale of financial assets at FVTPL

Net (loss)/gain on revaluation of financial assets at FVTPL

Other operating income

Net gain from sale of financial assets at FVOCI

of which

Financing income earned on impaired financing

Unwinding of modification loss

Group	
2020 RM'000	2019 RM'000
45,274	70,118
487	475
5,484	8,615
12	15
689	2,017
51,946	81,240
(73)	807
(63)	110
(136)	917
5,929	2,792
57,739	84,949
626	1,094
464	–

30 INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

Finance income

Unrestricted investment accounts

– Mudharabah

– Wakalah

Unwinding of modification loss

Group	
2020 RM'000	2019 RM'000
167,693	148,478
329,244	236,452
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 RM'000	2019 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/earned contributions reserves	(67,467)	(11,619)
Gross earned contributions	2,507,891	2,740,035
Retakaful	(464,261)	(407,954)
Change in actuarial reserves/earned 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 RM'000	2019 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)
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	2019
RM'000	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	2019
RM'000	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	2019
RM'000	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	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	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			
	Salary and bonus RM'000	Fees and other emoluments RM'000	Benefits-in-kind RM'000	Company Total RM'000	Salary and bonus RM'000	Fees and other emoluments RM'000	Benefits-in-kind RM'000	Group Total 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	720,247	786,920

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

	Group	
	2020 Sen	2019 Sen
Basic earnings per ordinary share	40.21	44.75

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	12.60	225,876	18 January 2021
2019			
2019 ordinary	16.00	282,285	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 RM'000	2019 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 RM'000	2019 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 RM'000	2019 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	134,084	162,161

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	7,435,095
% over total maximum exposure	14%

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
	<u>2,710,387</u>	<u>423,938</u>	<u>33,326</u>	<u>12,099,681</u>	<u>49,472,522</u>	<u>64,739,854</u>	<u>1,950,487</u>	<u>9,061,076</u>

* 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
Gross carrying amount	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
Gross exposure	9,426,270	172,232	16,725	9,615,227
Impairment allowances	(625,052)	(151,067)	(122,532)	(898,651)
Net exposure	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
Gross exposure	1,924,754	16,880	157	1,941,791
Impairment allowances	(28,930)	(380)	–	(29,310)
Net exposure	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
Gross carrying amount	18,316,159	15,842	18,332,001
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 As at 31 December 2019	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
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
Gross carrying amount	16,877,865	22,060	16,899,925
Impairment allowances	265	–	265
Derivative financial assets			
Bank and financial institution counterparties			26,592
Corporate			6,734
			33,326
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			–
			856,862
Retakaful assets			
Not rated			198,675
Other financial assets at amortised cost			
Other unrated financial assets	567,278	17,750	585,028
Impairment allowances	–	(17,750)	(17,750)
Net carrying amount	567,278	–	567,278

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
Financial assets at FVTPL	-	-	-	-	-	-	1,181,200	1,181,200
Derivative financial assets	-	-	-	-	-	-	61,665	61,665
Financial assets at FVOCI	79,793	678,405	1,226,955	6,725,858	3,846,980	-	-	12,557,991
Financing, advances and others								
- non-impaired	50,683,675	442,090	42,052	1,030,556	2,282,468	744,521	-	55,225,362
- 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.

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)

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
Investment accounts of customers	2,482,295	2,231,737	2,534,420	6,801	-	5,113,275	-	12,368,528
Derivative financial liabilities	-	-	-	-	-	-	105,872	105,872
Bills and acceptance payable	-	-	-	-	-	29,621	-	29,621
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,187	-	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,700,000	13,164	-	1,713,164
Other liabilities	-	-	-	-	-	1,038,079	-	1,038,079
Lease liabilities	1,409	2,267	9,760	33,686	265,307	-	-	312,429
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
Financial assets at FVTPL	-	-	-	-	-	-	663,068	663,068
Derivative financial assets	-	-	-	-	-	-	33,326	33,326
Financial assets at FVOCI	46,960	306,846	1,816,596	6,072,029	3,904,209	-	-	12,146,640
Financing, advances and others								
- non-impaired	45,100,289	507,292	71,763	1,088,826	2,628,405	394,393	-	49,790,968
- 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
Liabilities								
Deposits from customers	7,664,642	10,048,295	11,781,782	2,149,298	9,835	15,754,886	-	47,408,738
Investment accounts of customers	1,120,694	2,655,565	3,238,788	13,983	-	3,211,343	-	10,240,373
Derivative financial liabilities	-	-	-	-	-	-	36,746	36,746
Bills and acceptance payable	-	-	-	-	-	49,084	-	49,084
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,187	-	1,501,187
Subordinated Sukuk Murabahah	-	-	-	-	1,300,000	8,694	-	1,308,694
Other liabilities	-	-	-	-	-	826,823	-	826,823
Lease liabilities	1,166	1,775	9,315	35,841	277,462	-	-	325,559
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	+100bps	-100bps	+100bps
	RM'Million	RM'Million	RM'Million	RM'Million
		Increase/(decrease)		
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		807	6.34% to 6.50%	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		988	6.34% to 6.50%	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:

		Group		
	Note	Gross RM'000	Retakaful RM'000	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.

			Group
	Gross RM'000	Retakaful RM'000	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)

(b) General Takaful Fund (continued)

Gross General Takaful contract liabilities for 2020 (Group)

[illegible]

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets										
Financial assets at FVTPL	550,457	1,442,988	380	1,993,825		-	-	-	-	1,993,825
Derivative financial assets	-	61,665	-	61,665		-	-	-	-	61,665
Financial assets at FVOCI	13,755	17,679,515	702,682	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	58,065,344	75,122,077
Financial liabilities										
Derivative financial liabilities	-	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	4,301,974	4,240,170
Fair value of financial instruments carried at fair value										
2020 Company										
Financial assets										
Financial assets at FVTPL	7,555	-	-	7,555		-	-	-	-	7,555
Total assets	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)

Fair value information (continued)

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. (continued)

2019 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 RM'000	Total fair value RM'000	
Financial assets											
Financial assets at FVTPL	540,943	953,172	380	1,494,495		-	-	-	-	1,494,495	1,494,495
Derivative financial assets	-	33,326	-	33,326		-	-	-	-	33,326	33,326
Financial assets at FVOCI	8,978	16,369,073	568,833	16,946,884		-	-	-	-	16,946,884	16,946,884
Financing, advances and others	-	-	-	-		-	-	52,407,186	52,407,186	52,407,186	49,472,522
Total assets	549,921	17,355,571	569,213	18,474,705		-	-	52,407,186	52,407,186	70,881,891	67,947,227
Financial liabilities											
Derivative financial liabilities	-	36,746	-	36,746		-	-	-	-	36,746	36,746
Recourse obligations on financing sold to Cagamas	-	-	-	-		-	-	1,553,085	1,553,085	1,553,085	1,501,187
Sukuk liabilities	-	-	-	-		-	-	2,217,066	2,217,066	2,217,066	2,139,666
Total liabilities	-	36,746	-	36,746		-	-	3,770,151	3,770,151	3,806,897	3,677,599
	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value					
2019 Company											
Financial assets											
Financial assets at FVTPL	7,117	-	-	7,117		-	-	-	-	7,117	7,117
Total assets	7,117	-	-	7,117		-	-	-	-	7,117	7,117
Financial liabilities											
Sukuk liabilities	-	-	-	-		-	-	932,998	932,998	932,998	881,093
Total liabilities	-	-	-	-		-	-	932,998	932,998	932,998	881,093

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

Property and equipment:

Contracted but not provided for in the financial statements

	Group	
	2020	2019
	RM'000	RM'000
	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 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	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
Impairment of Financing, Advances and Others 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. 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. In addition, impairment is a highly subjective area as the Group exercised significant judgement on the following areas: <u>Timing of identification of Stage 2 and Stage 3 financing, advances and others</u> - 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. <u>Individual assessment</u> Estimates on the amount and timing of futures cash flows based on realisation of collateral or customer's business cash flows. <u>Collective assessment</u> 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.	We tested the design and operating effectiveness of the controls over impairment of financing, advances and others. These controls covered: - 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. Our detailed testing over the financing, advances and others are as follows: <u>Individual assessment</u> - 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. <u>Collective assessment</u> - 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. 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.

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
Valuation of takaful contract liabilities 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. 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. In addition, valuation of takaful contract liabilities is a highly subjective area as the Group exercised significant judgement on the following areas: <u>Actuarial liabilities – family takaful contract liabilities</u> 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"). 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. 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.	Our audit procedures included the following: <u>Actuarial liabilities – family takaful contract liabilities</u> • 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: (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
Valuation of takaful contract liabilities (continued) <u>Provision for outstanding claims and unearned contribution – general takaful contract liabilities</u> 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. 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.	<u>Provision for outstanding claims and unearned contribution – general takaful contract liabilities</u> • 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. 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.

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	226,808,701	12.24
	Registered with:		
	Citigroup Nominees (Tempatan) Sdn. Bhd.		
3	Amanah Saham Bumiputera	142,986,100	7.71
	Registered with:		
	AmanahRaya Trustees Berhad		
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 Truестees 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
Grand Total	No. of Holders		No. of Holdings		%	
	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 (SQUARE 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 (SQUARE 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 (SQUARE 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
50450 Kuala Lumpur
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

Level 5 (I), Main Office Tower
Financial Park Complex, Jalan Merdeka
Wilayah Persekutuan
87000 F.T Labuan
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Fax : +6087-451 808
Email : email@bankislamtrust.com.my
Website : www.bankislamtrust.com.my

FARIHAN CORPORATION SDN. BHD.

Level 19, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : +603-2782 1333
Fax : +603-2782 1355

AL-WAKALAH NOMINEES (TEMPATAN) SDN. BHD.

21st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : +603-2726 7724
Fax : +603-2726 7733

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

14th Floor, Annexe Block
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
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
Jalan Mampang Prapatan Raya
No. 100, Jakarta
12790 Indonesia
Tel : +6221-799 1234
Fax : +6221-790 1435
Website : www.takaful.co.id

SYARIKAT TAKAFUL MALAYSIA AM BERHAD

14th Floor, Annexe Block
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
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
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
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Fax : +603-2613 1799

BIMSEC NOMINEES (ASING) SDN. BHD.

Level 32, Menara Multi-Purpose
Capital Square
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Fax : +603-2613 1799

SYARIKAT AL-IJARAH SDN. BHD.

31st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : +603-2781 2999
Fax : +603-2781 2998

FTSE4GOOD BURSA MALAYSIA

("F4GBM")

F4GBM

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

FTSE4GOOD BURSA MALAYSIA

("F4GBM")

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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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("F4GBM")

F4GBM

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	BHB Integrated Annual Report 2020 - Adhering To The Best Governance Practice
	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

FTSE4GOOD BURSA MALAYSIA

("F4GBM")

F4GBM

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

FTSE4GOOD BURSA MALAYSIA

("F4GBM")

F4GBM

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
TRAINING & EDUCATION	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
	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
DIVERSITY & EQUAL OPPORTUNITY	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
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 DIVIDENT 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

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