BANK PERTANIAN MALAYSIA BERHAD
Registration No: 200801010522 (811810-U)
(Incorporated in Malaysia)

AUDITED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2020
(In Ringgit Malaysia)

Registration No: 200801010522 (811810-U)

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

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BANK PERTANIAN MALAYSIA BERHAD
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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Bank are banking, financing, investment and related services as provided under the Bank Pertanian Malaysia Berhad Act, 2008.

On 1 July 2015, the Bank became a full fledged Islamic bank whereby all its activities are conducted in compliance with Shariah principles.

There were no significant changes in the principal activities during the financial year.

RESULTS

	RM'000
Profit before tax and zakat	40,326
Tax	(9,541)
Zakat	(2,917)
Net profit for the year	**27,868**

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

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

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2019, a final dividend of 3.00 sen on 1,000,000,000 ordinary shares declared on 15 July 2020 and paid on 30 July 2020	30,000

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 31 December 2020 of 0.099 sen on 1,000,000,000 ordinary shares amounting to dividend payable of RM990,000 will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

BANK PERTANIAN MALAYSIA BERHAD
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ISSUE OF SHARES AND DEBENTURES

The Bank has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Bank to any party during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

DIRECTORS

The following directors served on the Board of the Bank since the beginning of the financial year to the date of this report:

Y. Bhg Dato' Mustapha Bin Buang
(appointed on 12 November 2020)

Puan Azizah binti Abdul Rahman

Tuan Haji Ibrahim bin Hassan

Puan Faizah binti Abdullah

Encik Abdul Rahim bin Abd Hadi

Puan Zarina binti Zakaria
(appointed on 6 April 2020)

Datuk Dr Ahmad Kushairi Bin Din
(appointed on 17 November 2020)

Y. Bhg Dato' Mohd Sallehhuddin bin Hassan
(resigned on 12 June 2020)

Y. Bhg Dato' Dr. Mohamad Hashim bin Ahmad Tajudin
(ceased on 1 July 2020)

Encik Jit Singh A/L Santok Singh
(ceased on 12 October 2020)

Y. Bhg Datin Setia Shahariah binti Hashim
(resigned on 8 March 2021)

BANK PERTANIAN MALAYSIA BERHAD
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DIRECTORS' INTERESTS

None of the directors in office at the end of the financial year held shares or had beneficial interest in the shares of the Bank during and at the end of the financial year.

There were no arrangements during and at the end of the financial year which had the objective of enabling directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other corporate body.

Since the end of the previous financial year, no director has received or to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors from the Bank and related corporations as disclosed in Note 34 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those set out in the Guidelines on Financial Reporting for Development Financial Institutions.

OTHER STATUTORY INFORMATION

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

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

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

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render:

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

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

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OTHER STATUTORY INFORMATION (cont'd)

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

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

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

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

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

(f) In the opinion of the directors:

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

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

INDEMNIFICATION OF DIRECTORS

The Bank maintained a Directors' and Officers' Liability Takaful up to an aggregate limit of RM20,000,000 against any legal liability incurred by the directors and officers in the discharge of their duties while holding office for the Bank. The amount of takaful contribution paid for the directors and officers for the current financial year was RM1,425,000.

SIGNIFICANT EVENTS

There were no significant events during the financial year.

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BANK PERTANIAN MALAYSIA BERHAD
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BUSINESS PLAN AND STRATEGY

The year 2020 was an exceptionally challenging year for the global economy as the world grapples with an unprecedented health crisis from the novel coronavirus ("COVID-19") pandemic. As an open economy, Malaysia was not spared the challenging operating environment with domestic economy severely impacted by the pandemic and Movement Control Order ("MCO"). Malaysia's third quarter GDP recorded a consecutive decline by 2.7% after 17.1% deterioration in the second quarter.

The re-imposition of conditional MCO and declaration of emergency are expected to have continuing adverse influence on the economy in 2021 albeit limited impact as businesses are still operating under the SOPs imposed by the Government. Given less restrictive business operating environment, immunization drive, monetary easing and the impact of stimulus packages, the Malaysian economy is anticipated to recover in 2021 from an expected recession in 2020.

As a Development Financial Institution that has been specifically tasked to develop the agricultural sector, the Bank is committed in aligning its business direction to strengthen its developmental role to meet the expectation under the Government policy for the sector. The Bank will focus on serving agricultural activities relating to agriculture production, processing and marketing throughout the value chain (upstream and downstream activities). Effort will also be intensified in uplifting the general well-being of the agriculture community, targeting entrepreneurs comprising micro, small and medium-sized enterprises. These efforts are expected to contribute towards the Bank's asset growth, strengthened market leadership and creating greater presence in the sector.

The Bank is also cognisance of the challenges facing the banking industry and will prioritise measures to address potential weakness in asset quality, margin, cost and profitability while maintaining liquidity and capital strength.

HOLDING COMPANY

The Bank is wholly-owned by the Minister of Finance (Incorporated), held on behalf of the Government of Malaysia.

AUDITORS

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

The auditors' remuneration is disclosed in Note 11 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 May 2021.

DATO' MUSTAPHA BIN BUANG	**AZIZAH BINTI ABDUL RAHMAN**

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BANK PERTANIAN MALAYSIA BERHAD
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STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act, 2016

We, **DATO' MUSTAPHA BIN BUANG** and **AZIZAH BINTI ABDUL RAHMAN** being two of the directors of **BANK PERTANIAN MALAYSIA BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 13 to 167 are properly drawn up in accordance with Malaysian Financial Reporting Standards as modified by Bank Negara Malaysia and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2020 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 27 May 2021.

DATO' MUSTAPHA BIN BUANG | **AZIZAH BINTI ABDUL RAHMAN**

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

We, **DATO' MUSTAPHA BIN BUANG** and **KHADIJAH BINTI ISKANDAR**, being the Director and Covering Duties President/Chief Executive Officer, respectively, of the Bank who are primarily responsible for the financial management of **BANK PERTANIAN MALAYSIA BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 167 are in our opinion, correct and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

DATO' MUSTAPHA BIN BUANG | **KHADIJAH BINTI ISKANDAR**

Subscribed and solemnly declared by the above named
DATO' MUSTAPHA BIN BUANG and KHADIJAH BINTI ISKANDAR
at KUALA LUMPUR in the Federal Territory on 27 May 2021.

Before me,

PESURUHJAYA SUMPAH
No W533
Nama: YM TENGKU FARIDDUDIN
BIN TENGKU SULAIMAN
1 JAN 2019 - 31 DIS 2021
MALAYSIA

COMMISSIONER FOR OATHS

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

BANK PERTANIAN MALAYSIA BERHAD
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SHARIAH COMMITTEE'S REPORT

In the Name of Allah, The Compassionate, The Most Merciful

Assalamualaikum Warahmatullahi Wabarakatuh

To the shareholder, depositors and customers of Bank Pertanian Malaysia Berhad ("the Bank"):

In compliance with the letter of appointment, we are required to submit the following report in relation to the operations of the Bank.

Firstly, the Shariah Committee was established to ensure that the Bank's Islamic banking business and operational affairs as well as activities are in compliance with Shariah rules and principles. The roles and responsibilities of the Shariah Committee are as prescribed in the Shariah Governance ("SG") issued by BNM, which states that the Shariah Committee is responsible for all Bank decisions, views and opinions relating to Shariah matters. The Shariah Committee endorses Shariah policies and procedures, and reviews reports escalated by the dedicated Shariah functions. The Shariah Committee members rigorously deliberate on issues and recommendations to mitigate Shariah control weaknesses and potential Shariah non-compliances.

The management of the Bank is responsible for ensuring that the Bank conducts its operations in accordance with Shariah principles and with Shariah rulings issued by the Shariah Advisory Council ("SAC") of Bank Negara Malaysia and the Shariah Committee of the Bank. It is our responsibility to form an independent opinion in respect of the operations of the Bank, based on our review of the operations of the Bank and to report to you.

To ensure smoothness and timely execution of our business operation, we had approved a Guideline on the Delegation of Authority empowering the Head of Shariah Department to approve non-substantial variation to Shariah-related matters, and the approvals are reported to us periodically for review and confirmation.

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

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SHARIAH COMMITTEE'S REPORT (cont'd)

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

In our opinion:

(a) The contracts, transactions and dealings entered by the Bank during the financial year ended 31 December 2020 that we have reviewed are in compliance with Shariah. For cases which have been identified as not fulfilling certain requirement under Shariah principles and rulings, remedial measures have been identified and ongoing rectification efforts on the affected accounts are currently being implemented. In the event the affected accounts cannot be rectified, the income will not be recognised as the Bank's income.

(b) The main sources and investments of the Bank disclosed to us conform to the basis that had been approved by us in accordance with Shariah rules and principles.

(c) The allocation of profit and charging of losses relating to the Bank's assets and liabilities conform to the basis that had been approved by us in accordance with Shariah principles.

(d) All earnings that have been realised from sources or by means prohibited under Shariah will be channelled for charitable purposes.

(e) The calculation of zakat is in compliance with Shariah principles.

(f) We hereby confirm that the overall operations, business, affairs and activities of the Bank are Shariah-compliant and do not involve any material Shariah non-compliance event, except for the matter as set out in Note 37 to the financial statements, in which such matter has been resolved by the Shariah Committee.

We, **ASSOC. PROF. DR. MOHAMED FAIROOZ BIN ABDUL KHIR** and **DR. MOHAMAD SABRI BIN ZAKARIA**, being two of the members of the Shariah Committee of the Bank, to the best of our knowledge, do hereby confirm on behalf of the members of the Shariah Committee, that the operations of the Bank for the financial year ended 31 December 2020 have been conducted in conformity with Shariah.

ASSOC. PROF. DR. MOHAMED FAIROOZ BIN ABDUL KHIR
Chairman of the Committee

DR. MOHAMAD SABRI BIN ZAKARIA
Member of the Committee

Kuala Lumpur, Malaysia
27 May 2021

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
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Independent auditors' report to the member of
Bank Pertanian Malaysia Berhad (811810-U)
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank Pertanian Malaysia Berhad ("the Bank"), which comprise the statement of financial position of the Bank as at 31 December 2020, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 167.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards as modified by Bank Negara Malaysia, as disclosed in Note 5(a) to the financial statements, and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Shariah Committee's Report, but does not include the financial statements of the Bank and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after the date of this auditors' report.

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

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Report on the audit of the financial statements (cont'd)

Information other than the financial statements and auditors' report thereon (cont'd)

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards as modified by Bank Negara Malaysia, as disclosed in Note 5(a) to the financial statements, and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Building a better working world

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Independent auditors' report to the member of
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Report on the audit of the financial statements (cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent auditors' report to the member of
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Report on the audit of the financial statements (cont'd)

Auditors' responsibilities for the audit of the financial statements (cont'd)

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

Other matters

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

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Wan Daneena Liza Bt Wan Abdul Rahman
No. 02978/03/2022 J
Chartered Accountant

Kuala Lumpur, Malaysia
27 May 2021

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Income derived from investment of depositors' funds and others	**7(a)**	720,729	766,007
Income derived from investment of shareholder's funds	**7(b)**	215,288	244,810
Allowance for impairment	**8**	(208,401)	(26,016)
Total distributable income		**727,616**	**984,801**
Income attributable to depositors	**9**	(236,203)	(297,353)
Total net income		**491,413**	**687,448**
Personnel expenses	**10**	(266,587)	(307,625)
Other overheads and expenditures	**11**	(170,530)	(162,160)
Finance costs	**12**	(13,970)	(12,248)
Profit before tax and zakat		**40,326**	**205,415**
Tax expense	**13**	(9,541)	(51,795)
Zakat	**14**	(2,917)	(5,135)
Net profit for the year		**27,868**	**148,485**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Debt instruments at fair value through other comprehensive income ("FVOCI"):			
Net change in fair value during the financial year		87,784	139,193
Reclassification to profit or loss		(17,895)	(21,818)
Income tax related to the above		(16,773)	(28,170)
Total items that may be reclassified to profit or loss		**53,116**	**89,205**
Items that will not be reclassified to profit or loss			
Equity instruments at FVOCI			
Revaluation gain on equity instruments at FVOCI		110	43
Income tax related to the above		(26)	(10)
Total items that will not be reclassified to profit or loss		**84**	**33**
Other comprehensive income for the year, net of tax		**53,200**	**89,238**
Total comprehensive income for the year		**81,068**	**237,723**

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

BANK PERTANIAN MALAYSIA BERHAD
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
Assets			
Cash and short term funds	**15**	1,934,409	1,409,555
Financial assets at fair value through other comprehensive income ("FVOCI")	**16**	3,206,063	3,637,557
Financing and advances	**17**	12,667,911	11,467,252
Other advances	**18**	3,029	6,869
Other assets	**19**	157,638	148,040
Property, plant and equipment	**20**	147,254	142,446
Intangible assets	**21**	30,126	25,719
Right-of-use assets	**22**	41,163	49,797
TOTAL ASSETS		**18,187,593**	**16,887,235**
LIABILITIES AND EQUITY			
Liabilities			
Deposits from customers	**24 (a)**	9,091,797	7,557,636
Deposit and placement of banks and other financial institutions	**24 (b)**	2,603,556	3,280,172
Other liabilities			
Other payables and accruals	**25 (a)**	86,657	154,397
Paddy credit gratuity scheme	**25 (b)**	1,906	2,281
Expected credit loss ("ECL") allowance for financial guarantees and financing commitments	**25 (c)**	9,869	6,176
Lease liabilities	**22**	33,091	40,134
Deferred tax liabilities	**23**	29,776	12,702
Financing Scheme Funds	**26**	2,441,883	1,973,320
Government Grants			
Operating	**27**	22,757	23,008
Launching	**28**	2,082	2,491
Funds	**29**	673,043	694,810
Total Liabilities		**14,996,417**	**13,747,127**
Equity			
Share capital	**30**	1,000,000	1,000,000
Reserves	**31**	2,191,176	2,140,108
Total Equity		**3,191,176**	**3,140,108**
TOTAL LIABILITIES AND EQUITY		**18,187,593**	**16,887,235**
Commitments and Contingencies	**33**	**1,032,634**	**1,057,686**

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

BANK PERTANIAN MALAYSIA BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Non-distributable reserves			Distributable reserves	
	Share capital RM'000	**Statutory reserves RM'000**	**FVOCI reserves RM'000**	**Regulatory reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**
As at 1 January 2020	1,000,000	487,109	85,182	34,951	1,532,866	3,140,108
Net profit for the year	-	-	-	-	27,868	27,868
Other comprehensive income for the year	-	-	53,200	-	-	53,200
Total comprehensive income for the year	-	-	53,200	-	27,868	81,068
Dividends paid (Note 32)	-	-	-	-	(30,000)	(30,000)
At 31 December 2020	**1,000,000**	**487,109**	**138,382**	**34,951**	**1,530,734**	**3,191,176**

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

		Non-distributable reserves			Distributable reserves	
	Share capital RM'000	Statutory reserves RM'000	FVOCI reserves/ (deficit) RM'000	Regulatory reserves RM'000	Retained earnings RM'000	Total RM'000
As at 1 January 2019	1,000,000	487,109	(4,056)	34,951	1,404,381	2,922,385
Net profit for the year	-	-	-	-	148,485	148,485
Other comprehensive income for the year	-	-	89,238	-	-	89,238
Total comprehensive income for the year	-	-	89,238	-	148,485	237,723
Dividends paid (Note 32)	-	-	-	-	(20,000)	(20,000)
At 31 December 2019	**1,000,000**	**487,109**	**85,182**	**34,951**	**1,532,866**	**3,140,108**

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

BANK PERTANIAN MALAYSIA BERHAD
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax and zakat	40,326	205,415
Adjustments for:		
Allowance for impairment on financing and advances	250,462	73,584
Writeback of allowance for impairment on other advances	(987)	(1,496)
Allowance for impairment on financial guarantees and financing commitments	3,693	1,645
Allowance for impairment on other assets	325	302
Depreciation of property, plant and equipment	23,594	21,345
Depreciation of right-of-use assets	10,518	10,051
Amortisation of computer software	17,497	15,008
Write off of property, plant and equipment	133	56
Gain on disposal of property, plant and equipment	-	(76)
Gain on disposal of financial assets at FVOCI	(17,895)	(21,818)
Amortisation and utilisation of Government Grants:		
Government Grant - Operating	(251)	(302)
Government Grant - Launching	(409)	(429)
Government Grant - Funds	2,246	2,374
Finance costs	13,970	12,248
Finance cost for lease liabilities	1,454	1,910
Finance cost for provision for re-instatement	239	225
Provision made for retirement benefits scheme	42	34
(Writeback)/ provision made for compensation claim	(677)	805
Utilisation of Non-Shariah Income ("NSI")	(339)	(4,589)
Operating profit before working capital changes	**343,941**	**316,292**
Change in financing and advances	(1,451,121)	(1,109,674)
Change in other advances	4,827	4,175
Change in other assets	(4,632)	(36,125)
Change in deposits from customers	1,534,161	(62,687)
Change in deposit and placement of banks and other financial institutions	(676,616)	290,002
Change in other payables and accruals	(49,763)	6,416
Change in paddy credit gratuity scheme	(375)	6
Cash used in operating activities	**(299,578)**	**(591,595)**
Tax paid	(30,177)	(37,332)
Zakat paid	(4,629)	(6,293)
Net cash used in operating activities	**(334,384)**	**(635,220)**

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (cont'd)

	2020 RM'000	2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at FVOCI	(5,989)	(229,592)
Proceeds from disposal of financial assets at FVOCI	525,377	1,112,007
Purchase of property, plant and equipment	(28,535)	(26,307)
Purchase of computer software	(21,904)	(19,049)
Proceeds from disposal of property, plant and equipment	-	175
Net cash generated from investing activities	**468,949**	**837,234**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of lease liabilities	(10,291)	(9,887)
Additional funds received for Financing Scheme Funds	578,518	217,102
Payments of Financing Scheme Funds	(134,852)	(119,640)
Profits paid on Financing Scheme Funds	(13,086)	(11,523)
Additional funds received for Government Grant - Funds	-	20,000
Dividends paid	(30,000)	(20,000)
Net cash generated from financing activities	**390,289**	**76,052**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**524,854**	**278,066**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,409,555**	**1,131,489**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1,934,409**	**1,409,555**
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash and short term funds (Note 15)	**1,934,409**	**1,409,555**

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

1. CORPORATE INFORMATION

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

The principal activities of the Bank are banking, financing, investment and related services as provided under the Bank Pertanian Malaysia Berhad Act, 2008.

On 1 July 2015, the Bank became a full fledged Islamic bank whereby all its activities are conducted in compliance with Shariah principles.

The registered office is at Level 3, Bangunan Agrobank, Leboh Pasar Besar, 50726 Kuala Lumpur, Malaysia.

The principal place of business of the Bank is at Bangunan Agrobank, Leboh Pasar Besar, 50726 Kuala Lumpur, Malaysia.

The immediate and ultimate holding company of the Bank is the Minister of Finance (Incorporated), held on behalf of the Government of Malaysia.

The financial statements have been approved and authorised for issuance by the Board of Directors in accordance with a resolution dated 27 May 2021.

2. BASIS OF PREPARATION

The financial statements of the Bank have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The Bank presents the statement of financial position in order of liquidity.

2.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as modified by Bank Negara Malaysia, as disclosed in Note 5(a), and the requirements of the Companies Act, 2016 in Malaysia.

2. BASIS OF PREPARATION (cont'd)

2.2 Functional and presentation currency

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

2.3 Change in presentation

From 1 July 2015, the Bank became a full fledged Islamic bank. The presentation of the financial statements complies with the Guidelines on Financial Reporting for Development Financial Institutions issued by Bank Negara Malaysia ("BNM").

The remaining conventional loans and non-shariah compliant assets are now shown as a separate line item on the face of the statement of financial position and are referred to as 'Other advances'.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies

The accounting policies adopted by the Bank are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019 except for the new Malaysian Financial Reporting Standards ('MFRS"), interpretation and amendments to standards to be applied for the financial periods beginning on 1 January 2020:

Amendment to MFRS 3 Definition of a Business
Amendment to MFRS 101 and MFRS 108 Definition of Material
Amendment to MFRS 9, MFRS 139 and MFRS 7 Profit Rate Benchmark Reform
Amendment to MFRS 16 COVID-19 Related Rent Concession

The adoption of the above standards, amendments to standards and interpretations did not have a material impact on the financial statements of the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies

(a) Basis of accounting

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, except for the amendments to MFRSs as disclosed in Note 3.1.

(b) Revenue recognition

(i) Profit income

Profit income is recognised for all profit-bearing financial instruments classified as Debt Instruments at Fair Value through Other Comprehensive Income ("FVOCI") or Financing and Advances using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the profit income or profit expense over the relevant periods. The effective profit rate is the rate that is used to discount the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the gross carrying amount of the instrument. The application of the method has the effect of recognising income receivable or expense payable on the instrument evenly in proportion to the amount outstanding over the period to maturity or payment.

In calculating effective profit, the Bank estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. Fees, including those for early redemption, are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective profit rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective profit is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

(ii) Murabahah and Tawarruq

Murabahah and Tawarruq income is recognised on an effective profit rate basis over the period of the contract based on the financing amounts disbursed.

BANK PERTANIAN MALAYSIA BERHAD
(Incorporated in Malaysia)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(b) Revenue recognition (cont'd)

(iii) Bai-Al Inah and Bai-Bithaman Ajil

Bai-Al Inah and Bai-Bithaman Ajil income is recognised on an effective profit rate basis over the contract term of the financing amount.

(iv) Ujrah

Ujrah income is recognised on an effective profit rate based on residual value and contract term.

(v) Fees and commissions

Financing processing fee is recognised as income based on the contractual arrangement. Government-link corporation ("GLC") services fee is recognised on an accrual basis in accordance with the term of agreement.

Fees and commissions are generally recognised on an accrual basis when the service has been provided. These fees include banking service fees and Ar-Rahnu fees.

(vi) Dividend income

Dividends are recognised when the right to receive payment is established.

(vii) Rental income

Income from rental is recognised on an accrual basis in accordance with the terms of the agreement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(c) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Grants from the Government of Malaysia consist of the following:

(i) Government grants - Operating (Note 27)

Operating grants received for capital expenditure are recognised as deferred capital grants in the statement of financial position. The grants are amortised to profit or loss on a systematic basis over the useful life of the assets. Operating grants for development expenditure is deducted from the operating grants upon utilisation.

(ii) Government grants - Launching (Note 28)

Launching grants received for capital expenditure are recognised as deferred capital grants in the statement of financial position. The grants are amortised to profit or loss on a systematic basis over the useful life of the assets. Launching grants for development expenditure is deducted from the launching grants upon utilisation.

(iii) Government grants - Funds (Note 29 (a) - (j))

Government grant funds received to provide financing to eligible customers are recognised as deferred capital grants in the statement of financial position. The government grants is also utilised against credit losses and charges arising from these financing.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(c) Government grants (cont'd)

(iv) Government grants - financing scheme funds (Note 29 (k) - (t))

The benefit of financing scheme funds at a below-market rate of profit is treated as a Government grant. The financing scheme funds are recognised as a financial liability, and measured in accordance with MFRS 9 "Financial Instruments". The Government grant for financing scheme funds are measured at inception as the difference between the initial carrying value of the Government financing determined in accordance with MFRS 9 and the proceeds received. Government grant for financing scheme funds are recognised in profit or loss (Note 12) on a systematic basis over the periods in which the Bank recognised as expenses the related costs for which the grants are intended to compensate.

(d) Financial assets

(1) Classification

The Bank classifies its financial assets in the following measurement:

- Those to be measured subsequently at fair value (either through other comprehensive income ("FVOCI") or through profit or loss ("FVTPL"); and

- Those to be measured at amortised cost.

(2) Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on settlement date, the date on which the Bank settles the commitment to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

(3) Measurement

At initial recognition, the Bank measures its financial assets at their fair value plus, in the case of a financial asset not at FVTPL, transactions costs that are directly attributable to the acquisition of the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

(3) Measurement (cont'd)

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objectives are solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's business model for the mortgage financing book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVTPL.

Solely Payments of Principal and Profit Test ("SPPP")

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments’ cash flows represent solely payments of principal and profit ("the SPPP test"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic financing arrangement i.e. profit includes only consideration for the time value of money, credit risk, other basic financing risks and a profit margin that is consistent with a basic financing arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic financing arrangement, the related financial asset is classified and measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

(3) Measurement (cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. The Bank reclassifies debt investments when, and only when, its business model for managing those assets changes.

There are three measurement categories into which the Bank classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPP are measured at amortised cost. Profit income from these financial assets is recognised using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in statement of comprehensive income.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPP, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Profit income from these financial assets is included in "profit income" using the effective profit rate method. Impairment losses are presented as separate line item in statement of comprehensive income.

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss in the period which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

(3) Measurement (cont'd)

Equity instruments

The Bank measures all equity investments at fair value. Where the Bank’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank’s right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in ‘net gains and losses on financial instruments’ in statement of comprehensive income.

(4) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Bank assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Bank expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the customer or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

(4) Subsequent measurement – Impairment (cont'd)

(i) General 3-stage approach

At each reporting date, the Bank measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. The Bank applies a 3-stage approach on debt instruments measured at amortised cost and FVOCI, except for those that are under simplified approach, as explained below.

(ii) Simplified approach

The Bank applies MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and other assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Significant increase in credit risk ("SICR")

The Bank considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- External credit rating (as far as applicable);
- Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Bank, committed into fraudulent activities, abandonment of projects and changes in operating results of the customer;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer/issuer's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the customer;
- Significant increase in credit risks on other financial instruments of the same customer; and
- Significant changes in the value of the collateral supporting the obligations.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer/issuer is more than 30 days or 1 month past due in making a contractual payment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Definition of default and credit-impaired financial assets

The Bank defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of indicators, which include amongst others, the following criteria:

- the customer is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the customer is past due more than 3 months on any material credit obligation to the Bank;
- the customer is past due more than 90 days after maturity date for trade finance and revolving credit facilities;
- Bankruptcy or winding up petition;
- Fraudulent accounts;
- Rescheduled and/or restructured (R&R) for impaired accounts; or
- Companies under PN17 – Listed companies identified by Bursa Malaysia that are in financial distress.

In assessing whether a customer is in default, the Bank considers indicators that are:

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The Bank first assesses whether or not objective evidence of impairment exists for financial assets which are individually significant. If the Bank determines that objective evidence of impairment exists, i.e. credit impaired, for an individually-assessed financial asset, a lifetime ECL will be recognised.

Financial assets which are individually significant but not credit-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, customer types and other relevant factors) for collective assessment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Write off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity; and
- where the Bank's recoveries method are foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Modification of financing

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financings to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affect the risk profile of the financing;
- Significant extension of the financing term when the customer is not in financial difficulty;
- Significant change in the profit rate;
- Change in the currency the financing is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether or not the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Modification of financing (cont'd)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets).

De-recognition other than a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Bank has not retained control.

Generating the term structure of probability of default

Month-in-arrears ("MIA") is a primary input into the determination of the term structure of Probability of Default (“PD”) for exposures. The Bank collects performance and default information on MIA for each segment.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financing. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

The 12-month and lifetime Exposures at Default ("EADs") are determined based on the expected payment profile, which vary by segmentation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Generating the term structure of probability of default (cont'd)

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark profit rates, unemployment rates and others.

The Bank formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see below on "Incorporation of forward-looking information"). The Bank then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank’s quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than one MIA. Due dates are determined without considering any grace period that might be available to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Modified financial assets

The contractual terms of a financing/advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing/advances whose terms have been modified may be derecognised and the renegotiated financing/advances recognised as a new financing/advances at fair value.

The Bank renegotiates financing/advances to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Financing/advances forbearance is granted on a selective basis if the customer is currently in default on its financing or if there is a high risk of default, there is evidence that the customer or issuer made all reasonable efforts to pay under the original contractual terms and the customer or issuer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing/advances covenants.

For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Bank’s ability to collect principal and profit and the Bank’s previous experience of similar forbearance action. As part of this process, the Bank evaluates the customer’s payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Bank formulates a ‘base case’ view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in Malaysia.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Measurement of expected credit losses ("ECL")

The Bank uses three categories for financial instruments at amortised cost for recognising ECL.

Category	Definition	Basis for recognising
Performing	(i) Accounts that do not have any significant increase in credit risk since initial recognition of the asset which is less likely to turn into delinquent/default; or (ii) Principal or profit or both is overdue for one (1) installment (including Cashline-i); or (ii) Other accounts not classified under Stage 2 and 3	12 month ECL (Stage 1)
Under performing accounts	(i) Principal or profit or both is overdue for two (2) or three (3) installments; or (ii) Overdue payment within 90 days after maturity date for trade finance and revolving credit facilities (excluding Cashline-i); or (iii) Fullfill any one of the SICR criteria triggers	Lifetime ECL – non-credit impaired (Stage 2)
Impaired	(i) Principal or profit or both is overdue for more than three (3) installments; or (ii) Overdue payment more than 90 days after maturity date for trade finance and revolving credit facilities; or	Lifetime ECL – credit impaired (Stage 3)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Measurement of expected credit losses ("ECL") (cont'd)

Category	Definition	Basis for recognising
Impaired accounts (cont'd)	(iii) For Cashline-i facility, it shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period more than 90 days or 3 months; or (iv) Where payments are schedule on interval of 3 months or longer, the financing is classified as impaired as soon as default occurs (except under specific program); or (v) Fullfill any one of the qualitative triggers criteria; or (vi) Fullfill any three of the SICR triggers.	

The Bank has not used the low credit risk exemption for any financial instrument.

The key inputs into the measurement of ECL are the term structure of the following

- PD;
- Loss Given Default ("LGD"); and
- EAD.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Measurement of expected credit losses ("ECL") (cont'd)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

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

ECL is determined by projecting the PD, LGD and EAD at each future point on a yearly basis individual exposure, or collective segment, and discounting these monthly expected losses back to the reporting date. The discount rate used in the ECL calculation is the original profit rate or an approximation thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(d) Financial assets (cont'd)

Measurement of expected credit losses ("ECL") (cont'd)

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any customer's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a financing commitment or guarantee.

Forward looking economic information is also included in determining the 12 month and lifetime PD, EAD and LGD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- product/instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the customer.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(e) Financial liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from customers and financial institutions, financing scheme funds and other payables.

Financial liabilities are derecognised when they are redeemed or extinguished.

(f) Determination of fair value

The Bank measures financial assets at FVOCI at fair value at each reporting date.

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

(i) In the principal market for the assets or liabilities, or

(ii) In the absence of a principal market, in the most advantageous market for the assets or liabilities.

The principal or the most advantageous market must be accessible to the Bank.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(g) Financial guarantee contracts and financing commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified customer fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure financing, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The expected credit losses under MFRS 9; and

- The premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Financing commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide financing/advances at a below-market profit rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

(h) Foreign currency

In preparing the financial statements of the Bank, transactions in currencies other than the Bank’s functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(i) Income tax

(i) Current tax

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

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided for, using the “liability” method, on temporary differences as of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arising from goodwill or from the initial recognition of an asset or a liability in a transaction which is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit.

The carrying amount of deferred tax assets, if any, is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted at the reporting period. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(j) Employees' benefits

(i) Short-term benefits

Wages, salaries, other fixed remuneration and bonuses are recognised as expenses in the year that services have been rendered by the employees. Medical leave is recognised when the absences occur.

(ii) Defined contribution plan

The Bank is required by law to make monthly contributions to the Employees Provident Fund ("EPF") at certain prescribed rates based on the employees' salaries. Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Retirement benefits

Eligible staff are entitled for a lump sum gratuity payment upon attainment of normal retirement age of 60 years or early retirement age of 45 years for female employees and 50 years for male employees. The gratuity payment is equivalent to 0.75 of their last drawn salary multiplied by the number of years of service and a leave replacement benefit payment equivalent to 4 times their last drawn salary.

The retirement benefit liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for actuarial gains or losses and unrecognised past service cost reflecting only the number of years of service completed up to the reporting date.

The defined benefit obligation, calculated using the projected unit credit method, by discounting the estimated future cash outflows using market yields at the end of the reporting period on Government Investment Issues which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise. The actuarial gains or losses are not subsequently reclassified to profit or loss in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(k) Impairment of non-financial assets

The carrying amount of property, plant and equipment and intangible assets are reviewed to determine whether there is any indication of impairment. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of fair value less cost to sell and value in use. 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 assessment of the time value of money and the risk specific to the asset for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land and work in progress are not depreciated.

Property, plant and equipment are depreciated on a straight-line method at rates calculated to write off the cost less residual value of the assets over their estimated useful lives. The annual depreciation rates used are as follows:

Buildings	2%
Motor vehicles	20%
Furniture and fixtures	20%
Equipment and office machines	10%
Computer hardware	20%

Where parts of items of property, plant and equipment have different useful lives, the cost of the items is allocated on a reasonable basis and is depreciated separately.

At each reporting period, the residual values and useful lives of the property, plant and equipment are reviewed, and the effect of any changes is recognised prospectively. Gain or loss arising from the disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Costs of repair and maintenance are charged to profit or loss in the year in which the costs are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(m) Intangible assets

Intangible assets consist of computer software which are initially recorded at cost. Subsequent to the recognition, computer software are measured at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of computer software over their estimated useful lives of 3 years. Gain or loss arising from the disposal of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Subsequent expenditure on an intangible asset after its purchase or completion is recognised as an expense when it is incurred, unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and the expenditure can be measured and attributed to the asset reliably.

(n) Leases

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

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

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

Equipment and computer hardware	1 to 5 years
Real estate	2 to 10 years
Leasehold land	60 to 99 years

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(n) Leases (cont'd)

Bank as a lessee (cont'd)

i) Right-of-use assets (cont'd)

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

The right-of-use assets are also subject to impairment assessment as described on Note 3.2 (k).

ii) Lease liabilities

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

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

The Bank's right-of-use assets and lease liabilities are disclosed in Note 22.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(n) Leases (cont'd)

Bank as a lessee (cont'd)

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

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

(o) Foreclosed properties

Foreclosed properties are those acquired in order to settle the debts and are stated at the lower of cost and net realisable value.

(p) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

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

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Summary of significant accounting policies (cont'd)

(q) Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

(r) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and highly liquid investments with original maturities of 3 months or less that are convertible into cash with an insignificant risk of changes in value.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following MFRS and amendments to MFRS have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective which have not been adopted by the Bank.

Effective for financial periods beginning on or after 1 January 2021

- Profit Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

Effective for financial periods beginning on or after 1 January 2022

- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"
- Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)
- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)

Effective for financial periods beginning on or after 1 January 2023

- Amendments to MFRS 17 Insurance Contracts
- Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)
- Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)

The Bank plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Bank upon their initial application.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expense, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require material adjustment to the carrying amount of the asset or liability affected in the future.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (cont'd)

Critical judgements made in the application of accounting policies

The following judgments are made by the management in the process of applying the Bank's accounting policies that have the most significant impact on the financial statements.

(a) Measurement of the expected credit losses ("ECL")

The measurement of the ECL allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 36, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Management overlay due to COVID-19.

(b) Determining the lease term of contracts with renewal and termination options - Bank as lessee

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (cont'd)

Critical judgements made in the application of accounting policies (cont'd)

(b) Determining the lease term of contracts with renewal and termination options - Bank as lessee (cont'd)

(i) Real Estate Leases and Leasehold Land

The Bank leases office buildings and houses for the branches, office space and staff accommodations. The leases of office space typically run for a period of two (2) to five (5) years and leases of houses for one (1) to three (3) years, whereas the leasehold land is between 60 to 99 years. Most leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases of office buildings contain extension options exercisable by the Bank up to one (1) year before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

(ii) Other Assets

The Bank leases ATM machines and printer with lease term of one (1) to three (3) years. In some cases, the Bank has options to purchase the assets at the end of the contract term. The Bank also leases IT equipments and other office equipments such as water purifiers and printers with contract terms of three (3) to five (5) years. These leases are short term and/or low value items. The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (cont'd)

Critical judgements made in the application of accounting policies (cont'd)

(c) Income taxes (Note 13) and Deferred tax (Note 23)

Significant judgement is required in estimating the provision for income taxes as there are interpretations of tax law for which the final outcome has not been established, such as the tax deductibility of expected credit loss on financial instruments. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimations process may involve seeking advice of experts, where appropriate.

Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(a) Leases - Estimating the incremental financing rate

The Bank cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental financing rate ("IFR") to measure lease liabilities. The IFR is the rate of profit that the Bank would have to pay to finance over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IFR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IFR using observable inputs (such as market profit rate) when available and is required to make certain specific estimates.

5. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS

(a) Bank Negara Malaysia ("BNM") policy documents on Financial Reporting

On 28 July 2020, BNM issued the revised policy documents for Financial Reporting for Development Financial Institutions ("DFIs") which are effective for financial years beginning on or after 1 January 2020.

The policy specifies the accounting treatment with respect to payments which are deferred under moratoriums implemented by the DFIs during the two financial years beginning on or after 1 January 2020, with the details as follows:

(i) Duration of modified accounting treatment

The modified accounting treatment permitted by BNM is in place for two financial years beginning on or after 1 January 2020;

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

Accounting treatment in accordance with MFRS	Modified accounting treatment in accordance to BNM Guideline
Under paragraph 5.4.3 of MFRS 9 *Financial Instruments* , the modification gain or loss that arises as at the payment moratorium commencement date is recognised in the profit or loss immediately by recalculating the gross carrying amount of the financing based on the present value of the modified cash flows discounted at the financing's original effective profit rate.	Under paragraph 10.12, no modification gain or loss is recorded against the gross carrying amount of the financing as at the repayment moratorium commencement date. Instead, a new and modified effective profit rate is calculated that exactly discounts the revised remaining cash flows to the gross carrying amount of the financing as at the payment moratorium commencement date.

(iii) Disclosure

For DFIs applying paragraph 10.12, the DFI shall disclose the application of the modified accounting treatment in the basis of preparation of the interim financial reports and annual financial statements. The disclosure shall also include the duration of the application and a comparison of the financial impact of applying the accounting treatment in accordance with the MFRS and the modified accounting treatment.

The Bank has opted for the adoption of the modified accounting framework for two financial years from the financial year ended 2020 until the financial year ending 2021.

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5. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS (cont'd)

(a) Bank Negara Malaysia ("BNM") policy documents on Financial Reporting (cont'd)

The financial impact of the affected items in the profit or loss for the year and statement of financial position as at 31 December 2020 of the Bank is as summarised below:

	Modified Accounting Treatment RM'000	MFRS 9 Paragraph 5.4.3 RM'000
Statement of Profit or loss:		
Profit income		
- Modification loss (net of unwinding effects)	-	(17,415)
- Effect of income with adjusted effective profit rate	10,360	-
Statement of financial position:		
Financing and advances	13,225,689	13,197,914
Retained earnings	1,530,734	1,502,959

(b) Transitional arrangement for regulatory capital treatment of accounting provision for Development Financial Institution

On 9 December 2020, BNM issued the policy documents on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions for Development Financial Institutions ("DFI").

Prescribed DFIs which elect to apply the transitional arrangements are allowed to add back the Stage 1 and Stage 2 provisions for expected credit losses (ECL) incurred during the year to Tier 1 capital over a four-year period from financial year beginning 2020 or a three-year period from financial year beginning 2021.

The transitional arrangements are consistent with the guidance issued by the Basel Committee on Banking Supervision on “Regulatory treatment of accounting provisions – interim approach and transitional arrangement” (March 2017) and “Measures to reflect the impact of COVID-19” (April 2020).

Pursuant to Paragraph 7.1 of the policy, DFIs which elect to apply the transitional arrangements shall submit a one-time written notification to BNM.

5. SIGNIFICANT CHANGES IN REGULATORY REQUIREMENTS (cont'd)

(b) Transitional arrangement for regulatory capital treatment of accounting provision for Development Financial Institution (cont'd)

In view of the above paragraph, the Bank has elected to apply the transitional arrangement from year 2020 i.e. effective 31 December 2020 as our first reporting period of the application. The impact of before and after transitional arrangement is as summarised below:

	Before Transitional Arrangement Ratio (%)	After Transitional Arrangement Ratio (%)
Core capital ratio	**20.83**	**21.24**

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6. COVID-19 SPECIFIC DISCLOSURES

Exposures to COVID-19 impacted sectors

	Financing and advances On-balance sheet 2020 RM'000	Financing and advances On-balance sheet 2019 RM'000
Crops	4,724,145	4,403,269
Livestock	933,597	855,205
Manufacturing	1,499,986	1,395,302
Retail and wholesale trade	1,530,066	1,305,703
	8,687,794	**7,959,479**

COVID-19 customer relief and support measures

	Retail			SMEs			Corporates			Total		
	Stage 1 RM'000	**Stage 2 RM'000**	**Stage 3 RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Stage 1 RM'000**	**Stage 2 RM'000**	**Stage 3 RM'000**	**Stage 1 RM'000**	**Stage 2 RM'001**	**Stage 3 RM'001**
Total payment moratoriums, repayment assistances, rescheduling and restructuring	**4,769,903**	**81,734**	**5,050**	**1,667,619**	**438,286**	**316,176**	**1,890,706**	**209,607**	**12,593**	**8,328,228**	**729,627**	**333,819**
Resumed repayments	4,498,208	15,499	-	1,421,740	117,067	6,202	1,827,602	83,825	-	7,747,550	216,391	6,202
Extended and repaying as per revised schedules	237,519	35,732	1,514	185,839	172,813	38,915	314	14,733	-	423,672	223,278	40,429
Missed payments	34,176	30,503	3,536	60,040	148,406	271,059	62,790	111,049	12,593	157,006	289,958	287,188
As a percentage of total:												
Resumed repayments	94%	19%	0%	85%	27%	2%	97%	40%	0%	93%	30%	2%
Extended and repaying as per revised schedules	5%	44%	30%	11%	39%	12%	0%	7%	0%	5%	30%	12%
Missed payments	1%	37%	70%	4%	34%	86%	3%	53%	100%	2%	40%	86%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

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6. COVID-19 SPECIFIC DISCLOSURES (cont'd)

Management overlay adjustment for expected credit loss amid COVID-19 environment

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

This overlay adjustment was made to reflect the potential impact to delinquencies and defaults when the various relief and support measures expire in 2021. The overlay adjustment involves significant level of judgement and reflects the management's view of possible severity of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

Customers who have received repayment support remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlay adjustment was generally made at portfolio level in determining the sufficient level of ECLs.

The breakdown of ECL allowance as at 31 December 2020 is as follows:

	ECL based on models RM'000	ECL due to Covid-Management RM'000	Total ECL allowance RM'000
ECL allowance	232,891	20,602	253,493

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7. INCOME DERIVED FROM INVESTMENT OF:

	2020 RM'000	2019 RM'000
(a) Depositors' funds and others		
(i) Term deposits	465,230	524,347
(ii) Other deposits	255,499	241,660
	720,729	**766,007**

(i) Income derived from investment of term deposits

	2020 RM'000	2019 RM'000
Finance income and hibah		
Profit from financing and advances	337,655	362,741
Profit from financial assets:		
Deposits with banks and other financial institutions	13,236	16,430
FVOCI	64,688	83,963
Accretion of discount less amortisation of premium	2,276	2,029
Investment income		
Gain arising from derecognition of financial assets at FVOCI	9,075	11,580
Fee income		
Financing processing fees	1,285	1,876
Banking service fees	19,098	19,190
Ar-Rahnu fees	16,624	25,302
Ta'widh	1,293	1,236
Total income derived from investment of term deposits	**465,230**	**524,347**
Of which:		
Profit income earned on impaired financing and advances	**10,036**	**9,460**

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7. INCOME DERIVED FROM INVESTMENT OF: (cont'd)

(a) Depositors' funds and others (cont'd)

	2020 RM'000	2019 RM'000
(ii) Income derived from investment of other deposits		
Finance income and hibah		
Profit from financing and advances	185,436	167,179
Profit from financial assets:		
Deposits with banks and other financial institutions	7,270	7,572
FVOCI	35,526	38,697
Accretion of discount less amortisation of premium	1,250	935
Investment income		
Gain arising from derecognition of financial assets at FVOCI	4,984	5,337
Fee income		
Financing processing fees	706	865
Banking service fees	10,488	8,844
Ar-Rahnu fees	9,129	11,661
Ta'widh	710	570
Total income derived from investment of other deposits	**255,499**	**241,660**
Of which:		
Profit income earned on impaired financing and advances	**5,512**	**4,360**

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7. INCOME DERIVED FROM INVESTMENT OF: (cont'd)

	2020 RM'000	2019 RM'000
(b) Shareholder's funds		
Finance income and hibah		
Profit from financing and advances	142,730	153,537
Profit from financial assets:		
Deposits with banks and other financial institutions	5,595	6,954
FVOCI	27,344	35,539
Accretion of discount less amortisation of premium	962	859
Investment income		
Gain arising from derecognition of financial assets at FVOCI	3,836	4,901
Fee income		
Financing processing fees	543	794
Government-Linked Corporation ("GLC") service fees	10,391	10,488
Banking service fees	8,073	8,123
Ar-Rahnu fees	7,027	10,709
Ta'widh	546	523
Other operating income		
Staff financing	3,748	3,676
Proceeds from sale of crops - Ladang Sg Tasan	1,185	719
Amortisation of operating grant (Note 27)	251	302
Amortisation and utilisation of launching grant (Note 28)	409	429
Utilisation/(writeback) of government grant - funds:		
Entrepreneur Scheme for Graduates (Note 29(a))	(1)	(3)
Special Fund for Terengganu Fishery (Note 29(b))	-	1
Development Programme for Hard-core Poor (Note 29(c))	1	9
Fund for Minister of Youth and Sports (Note 29(d))	(158)	(277)
Bumiputera Commercial and Industrial Community Scheme HUB (Note 29(e))	(218)	(55)
National Key Economic Area (Note 29(f))	(208)	(488)
Micro Economic Stimulation Package (Note 29(g))	(1,716)	(1,543)
Micro ESP Flood Relief (Note 29(h))	54	(18)
Utilisation of Non-Shariah Income ("NSI") (Note 25(a)(i))	339	4,589
Other income	4,555	5,042
	215,288	**244,810**
Of which:		
Profit income earned on impaired financing and advances	**4,242**	**4,004**

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8. ALLOWANCE FOR IMPAIRMENT

		2020 RM'000	2019 RM'000
Allowance (made)/written back for:			
Financing and advances	(a)	(217,389)	(48,001)
Other advances	(b)	13,006	23,932
Financial guarantees and financing commitments	(c)	(3,693)	(1,645)
Other assets	(d)	(325)	(302)
		(208,401)	**(26,016)**

(a) Financing and advances

	2020 RM'000	2019 RM'000
Stage 1 - 12-month ECL	691	(12,934)
Stage 2 - Lifetime ECL not credit-impaired	(62,404)	(11,234)
Stage 3 - Lifetime ECL credit-impaired	(188,749)	(49,416)
ECL for financing and advances	**(250,462)**	**(73,584)**
Bad debts and financing recovered	**33,073**	**25,583**
	(217,389)	**(48,001)**

(b) Other advances

	2020 RM'000	2019 RM'000
Stage 1 - 12-month ECL	105	69
Stage 2 - Lifetime ECL not credit-impaired	(19)	252
Stage 3 - Lifetime ECL credit-impaired	901	1,175
Writeback of other advances	**987**	**1,496**
Bad debts and financing recovered	**12,019**	**22,436**
	13,006	**23,932**

8. ALLOWANCE FOR IMPAIRMENT (cont'd)

(c) Financial guarantees and financing commitments

	2020 RM'000	**2019 RM'000**
Stage 1 - 12-month ECL	748	(1,537)
Stage 2 - Lifetime ECL not credit-impaired	(4,441)	(108)
Stage 3 - Lifetime ECL credit-impaired	-	-
	(3,693)	**(1,645)**

(d) Other assets

	2020 RM'000	**2019 RM'000**
Lifetime ECL credit-impaired	**(325)**	**(302)**

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9. INCOME ATTRIBUTABLE TO DEPOSITORS

	2020 RM'000	2019 RM'000
Deposits from customers:		
Non-Mudharabah Funds		
Fixed return investment account ("FRIA")	126,930	150,254
FRIA 45 Plus	11,070	12,522
Agro Perdana-i	17,532	16,993
Agro-i Deposits	9,427	10,218
Qard	2,932	3,157
Agro Muda-i	1,461	1,907
Agro Tetangga-i	207	222
Agro Prima	481	353
	170,040	195,626
Deposits and placement of banks and other financial institutions:		
Non-Mudharabah Funds		
Pelaburan Khas-i	66,163	101,727
	236,203	**297,353**

10. PERSONNEL EXPENSES

	2020 RM'000	2019 RM'000
Salaries, allowances and bonuses	207,289	246,818
EPF contributions	31,667	31,376
SOCSO contributions	2,604	2,569
Medical insurances	11,578	9,995
Staff welfare	7,285	8,609
Non-executive directors' allowances	1,202	1,725
Staff training	2,321	4,065
Recruitment fees	1,939	1,253
Retirement benefits scheme	42	34
Others	660	1,181
	266,587	**307,625**

11. OTHER OVERHEADS AND EXPENDITURES

	2020 RM'000	2019 RM'000
Maintenance cost		
Depreciation of property, plant and equipment	23,594	21,345
Depreciation of right-of-use assets	10,518	10,051
Amortisation of computer software	17,497	15,008
Write off of property, plant and equipment	133	56
Computer maintenance	22,527	22,060
Expenses relating to short-term leases	126	65
Storage services	1,015	693
Water and electricity	8,978	9,195
Printing, stationery and office supplies	7,667	6,438
Office maintenance	4,417	3,295
Takaful on property, plant and equipment	3,219	3,193
Building maintenance	4,224	3,733
Finance cost on lease liabilities	1,454	1,910
Finance cost on provision for re-instatement	239	225
Quit rent and assessment	1,083	1,117
Vehicle maintenance	177	406
Computer supply	143	168
Others	280	432
	107,291	**99,390**
Marketing expenses		
Advertising and promotions	3,634	4,674
Others	115	161
	3,749	**4,835**
General administrative expenses		
Communication expenses	18,037	16,672
Launching grants	7	9
Legal fees	3,213	4,600
Commissions and fees	23,229	20,696
Auditors' remuneration		
- Statutory audit	1,153	910
- Regulatory related services	13	13
- Others	253	39
Security charges	11,856	11,355
Agro Perdana ID card	1,394	888
Compensation claim	(677)	805
Others	1,012	1,948
	59,490	**57,935**
	170,530	**162,160**

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12. FINANCE COSTS

	2020 RM'000	2019 RM'000
Profit paid on financing scheme funds		
Fund For Food ("3F") (Note 26 (a))	864	575
Micro Enterprise Fund (Note 26 (c))	709	642
Commercial Agriculture Fund ("DPK-GLC") (Note 26 (d))	9,481	9,069
Agriculture Entrepreneur Financing Scheme Fund 1 ("DPUP 1") (Note 26 (e))	43,855	46,525
Agriculture Entrepreneur Financing Scheme Fund 2 ("DPUP 2") (Note 26 (f))	5,213	5,337
Agriculture Entrepreneur Financing Scheme Fund 3 ("DPUP 3") (Note 26 (g))	5,558	5,342
Agriculture Entrepreneur Financing Scheme Fund 4 ("DPUP 4") (Note 26 (h))	1,021	983
Agriculture Entrepreneur Financing Scheme Fund 5 ("DPUP 5") (Note 26 (i))	1,414	1,360
Agriculture Entrepreneur Financing Scheme Fund 6 ("DPUP 6") (Note 26 (j))	2,106	2,240
Agriculture Entrepreneur Financing Scheme Fund 7 ("DPUP 7") (Note 26 (k))	2,076	-
Special Relief Facility (Note 26 (l))	2,578	110
Fund for Small and Medium Size Industries ("TIKS") (Note 26 (m))	317	183
Disaster Relief Facility (Note 26 (n))	120	158
	75,312	72,524
Less : Income from fair value amortisation		
Amortisation of DPK-GLC Grant (Note 29 (k))	(8,731)	(8,319)
Amortisation of DPUP 1 Grant (Note 29 (l))	(38,011)	(40,463)
Amortisation of DPUP 2 Grant (Note 29 (m))	(4,464)	(4,587)
Amortisation of DPUP 3 Grant (Note 29 (n))	(4,808)	(4,592)
Amortisation of DPUP 4 Grant (Note 29 (o))	(846)	(808)
Amortisation of DPUP 5 Grant (Note 29 (p))	(1,164)	(1,110)
Amortisation of DPUP 6 Grant (Note 29 (q))	(106)	(130)
Amortisation of DPUP 7 Grant (Note 29 (r))	(514)	-
Amortisation of Special Relief Facility (Note 29 (s))	(2,578)	(109)
Amortisation of Disaster Relief Facility (Note 29 (t))	(120)	(158)
	(61,342)	(60,276)
	13,970	**12,248**

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13. TAX EXPENSE

	2020 RM'000	2019 RM'000
Income tax:		
Malaysian income tax	10,524	58,224
Over provision in prior years	(1,258)	(2,342)
	9,266	**55,882**
Deferred tax: (Note 23)		
Relating to origination and reversal of temporary differences	3,023	(5,445)
(Over)/under provision in prior years	(2,748)	1,358
	275	**(4,087)**
Tax expense for the year	**9,541**	**51,795**

Income tax is calculated at the Malaysian statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year. The reconciliation between tax expense and accounting profit of the Bank multiplied by the applicable corporate tax rate are as follows:

	2020 RM'000	2019 RM'000
Profit before tax and zakat	**40,326**	**205,415**
Tax at the applicable statutory tax rate of 24% (2019: 24%)	9,678	49,300
Tax effects of:		
Income not subject to tax	(953)	(954)
Expenses not deductible for tax purposes	4,822	4,433
(Over)/under provision in prior years:		
Income tax	(1,258)	(2,342)
Deferred tax	(2,748)	1,358
Tax expense	**9,541**	**51,795**

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14. ZAKAT

	2020 RM'000	2019 RM'000
Zakat for the year	**2,917**	**5,135**

Zakat represents business zakat payable by the Bank to comply with the principles of Shariah and as approved by the Shariah Committee. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholder. Zakat provision is initially calculated based on 2.5% of capital growth model method. However, it is compared against 2.5% of the Bank's audited profit before tax ("PBT") for the year, and the higher of the two is the final zakat payable by the Bank.

The Bank distributes the zakat to zakat state authorities and eligible beneficiaries (asnaf) among needy individuals, mosque, non-governmental organisations, higher learning institutions (needy student welfare funds) and schools as guided and approved by the Shariah Committee.

15. CASH AND SHORT TERM FUNDS

	2020 RM'000	2019 RM'000
Cash in hand	214,614	142,500
Cash at banks	109,412	140,241
Short term deposits maturing within three months:		
Licensed banks	1,107,530	725,010
Other financial institutions	502,853	401,804
	1,934,409	**1,409,555**

The details on the short term deposits are as follows:

	2020	2019
Average maturities	9 days	13 days
Weighted average effective profit rates (per annum)	1.81%	3.03%

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

		2020 RM'000	2019 RM'000
Equity investments	(a)	254	144
Debt investments	(b)	3,205,809	3,637,413
		3,206,063	**3,637,557**

(a) Equity investments

	2020 RM'000	2019 RM'000
Quoted securities		
KUB Malaysia Berhad	**254**	**144**

(b) Debt investments

Debt investments at FVOCI comprise the following investments having solely payments of principal and profit income:

	2020 RM'000	2019 RM'000
At fair value:		
Corporate sukuk	2,124,798	2,371,083
Government Investment Issues ("GII")	1,081,011	1,266,330
	3,205,809	**3,637,413**

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

Movements in ECL in respect of debt instruments at FVOCI are as follows:

	ECL Staging			
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit - Impaired RM'000	Stage 3 Lifetime ECL Credit - Impaired RM'000	Total RM'000
As at 1 January 2019/31 December 2019/31 December 2020	**524**	**7,184**	**-**	**7,708**

17. FINANCING AND ADVANCES

	2020 RM'000	2019 RM'000
By Product (at amortised cost)		
Agrocash	8,273,185	7,611,279
Project Financing	5,532,591	4,913,114
Fund For Food ("3F")	1,008,978	902,844
Ar-Rahnu	577,371	350,875
Fishery Boat Financing Scheme ("SPBP")	130,641	147,979
MUST-i	260,221	256,073
Oil Palm Replanting Scheme ("TASKS")	3,500	3,991
Bumiputera Commercial and Industrial Community Scheme ("MPPB")	67,814	75,228
Financing for Small and Medium Size Industries ("PKS")	103,633	120,116
Non-Food Production Credit Scheme ("SKPBM")	17,868	25,056
Food Production Credit Scheme ("SKPM")	86,701	100,554
Belia Tani Scheme	5,240	5,398
Fund For Small and Medium Size Industries ("TIKS")	11,313	7,399
Working Capital-i	222,012	275,386
Paddy Credit Scheme	86,334	92,585
Micro Economic Stimulus Package ("Micro-ESP-I")	18,039	71
National Key Economic Area ("NKEA")	9,162	7,704
Murabahah Working Capital Financing	968,318	1,190,201
Insani	728	1,226
Bai Al-Dayn Working Capital Financing	61,278	107,383
MPPB Hub	678	693
Agro Cash Line-i	425,762	470,853
Hartani-i	1,288,485	1,237,368
Agro Flood Relief	217	441
Special Relief Facility	457,054	9,272
Commercial Agriculture Fund ("DPK3")	87,028	78,220
Agro Industrial Hire Purchase-i	26,984	6,782
Others	17,750	12,342
	19,748,885	**18,010,433**

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17. FINANCING AND ADVANCES (cont'd)

	2020 RM'000	2019 RM'000
Brought forward from previous page	**19,748,885**	**18,010,433**
Add : Staff financing and advances	176,225	155,130
	19,925,110	**18,165,563**
Less : Unearned profit	(6,699,421)	(6,331,625)
Gross financing and advances	**13,225,689**	**11,833,938**
Less :		
Stage 1 - 12-month ECL	(76,566)	(75,451)
Stage 2 - Lifetime ECL not credit-impaired	(80,099)	(24,993)
Stage 3 - Lifetime ECL credit-impaired	(401,113)	(266,242)
Net financing and advances at amortised cost	**12,667,911**	**11,467,252**

(i) By maturity

	2020 RM'000	2019 RM'000
Maturity within six months	1,815,380	2,001,475
Between six months to one year	206,248	232,913
Between one year to three years	271,622	205,105
Between three years to five years	1,139,391	733,983
More than five years	9,793,048	8,660,462
	13,225,689	**11,833,938**

(ii) By sector

	2020 RM'000	2019 RM'000
Construction and Services	97,350	77,513
Fishery	647,409	567,343
Crops	4,724,145	4,403,269
Livestock	933,597	855,205
Manufacturing	1,499,986	1,395,302
Others-Primary Agriculture	79,819	31,598
Retail and Wholesale Trade	1,530,066	1,305,703
Household	3,088,243	3,063,814
Others	625,074	134,191
	13,225,689	**11,833,938**

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17. FINANCING AND ADVANCES (cont'd)

(iii) By state

	2020 RM'000	2019 RM'000
Kuala Lumpur	1,813,637	1,593,693
Selangor	1,471,267	1,289,835
Pahang	830,479	742,465
Perak	1,464,355	1,287,713
Negeri Sembilan	322,477	298,772
Melaka	625,150	527,369
Johor	1,227,867	1,058,438
Kelantan	697,058	633,329
Kedah	958,998	839,668
Perlis	194,513	177,002
Sarawak	1,259,683	1,237,776
Sabah	1,227,340	1,114,453
Pulau Pinang	635,674	572,891
Terengganu	497,191	460,534
	13,225,689	**11,833,938**

(iv) By profit rate sensitivity

	2020 RM'000	2019 RM'000
Fixed rate :		
Fund For Food ("3F")	684,809	605,275
Project Financing	23,797	54,406
MUST-i	192,372	203,240
Agrocash	6,589	9,470
Others	930,777	469,522
Variable rate :		
Agrocash	5,217,702	4,651,501
Project Financing	2,993,085	2,811,606
Murabahah Working Capital Financing	969,580	1,188,838
Hartani-i	658,974	615,561
Others	1,548,004	1,224,519
	13,225,689	**11,833,938**

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17. FINANCING AND ADVANCES (cont'd)

(v) Financing by type and Shariah contract

	Term Financing RM'000	Revolving Financing RM'000	Total RM'000
2020			
Qard	104,123	-	104,123
Bai-Al Inah	1,255,447	21	1,255,468
Tawarruq	6,655,980	1,567,192	8,223,172
Bai-Bithaman Ajil	3,561,808	-	3,561,808
Murabahah	61,228	-	61,228
Ijarah	19,890	-	19,890
	11,658,476	**1,567,213**	**13,225,689**
2019			
Qard	350,875	-	350,875
Bai-Al Inah	1,402,334	25	1,402,359
Tawarruq	5,105,558	1,889,272	6,994,830
Bai-Bithaman Ajil	2,973,771	-	2,973,771
Murabahah	107,382		107,382
Ijarah	4,721	-	4,721
	9,944,641	**1,889,297**	**11,833,938**

(vi) Movements in gross impaired financing and advances are as follows:

	2020 RM'000	2019 RM'000
At beginning of the year	511,789	439,340
Additions during the year	621,271	377,770
Reclassified as non impaired during the year	(87,715)	(123,325)
Recoveries during the year	(96,927)	(130,523)
Amount written off	(59,370)	(51,473)
At end of the year	**889,048**	**511,789**
Excluding Non-Shariah Assets		
Gross impaired	889,048	511,789
Gross impaired ratio	6.72%	4.32%
Including Non-Shariah Assets		
Gross impaired	893,380	518,121
Gross impaired ratio	6.75%	4.37%

17. FINANCING AND ADVANCES (cont'd)

(vii) Impaired financing by sector

	2020 RM'000	2019 RM'000
Sectors:		
Construction and Services	23,598	19,258
Fishery	54,431	49,243
Crops	417,395	166,840
Livestock	77,629	67,323
Manufacturing	70,160	57,505
Others-Primary Agriculture	3,166	3,115
Retail and Wholesale Trade	193,947	113,776
Others	48,722	34,729
	889,048	**511,789**

(viii) Impaired financing by state

	2020 RM'000	2019 RM'000
States:		
Kuala Lumpur	343,323	46,209
Selangor	83,308	65,058
Pahang	19,017	19,609
Perak	83,414	53,913
Negeri Sembilan	15,149	18,845
Melaka	15,835	15,531
Johor	83,009	42,716
Kelantan	37,305	37,530
Kedah	39,605	56,924
Perlis	3,935	4,703
Sarawak	25,970	22,434
Sabah	51,404	50,468
Pulau Pinang	44,145	38,074
Terengganu	43,629	39,775
	889,048	**511,789**

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17. FINANCING AND ADVANCES (cont'd)

(ix) ECL

Movements in impairment allowances are as follows:

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
		Lifetime ECL Not	Lifetime ECL	
	12-month ECL	Credit-Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	75,451	24,993	266,242	**366,686**
Transfer to Stage 1	9,756	(5,293)	(4,463)	**-**
Transfer to Stage 2	(6,145)	8,503	(2,358)	**-**
Transfer to Stage 3	(1,805)	(10,508)	12,313	**-**
Allowance made during the year	(691)	62,404	188,749	**250,462**
New financing and advances originated*	24,996	9,581	13,354	**47,931**
Net remeasurement due to changes in credit risk	(15,589)	55,118	181,500	**221,029**
Financial assets that have been derecognised	(10,098)	(2,295)	(6,105)	**(18,498)**
Write off	-	-	(59,370)	**(59,370)**
Balance as at 31 December 2020	**76,566**	**80,099**	**401,113**	**557,778**

* New financing and advances originated include those which were not credit-impaired at origination but the credit risk has deteriorated.

17. FINANCING AND ADVANCES (cont'd)

(ix) ECL (cont'd)

Movements in impairment allowances are as follows: (cont'd)

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
		Lifetime ECL Not	Lifetime ECL	
	12-month ECL	Credit-Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	57,070	21,843	265,662	344,575
Transfer to Stage 1	9,528	(5,575)	(3,953)	-
Transfer to Stage 2	(2,573)	5,096	(2,523)	-
Transfer to Stage 3	(1,508)	(7,605)	9,113	-
Allowance made during the year	12,934	11,234	49,416	**73,584**
New financing and advances originated*	26,255	2,206	14,070	**42,531**
Net remeasurement due to changes in credit risk	(4,122)	11,033	59,826	**66,737**
Financial assets that have been derecognised	(9,199)	(2,005)	(24,480)	**(35,684)**
Write off	-	-	(51,473)	**(51,473)**
Balance as at 31 December 2019	**75,451**	**24,993**	**266,242**	**366,686**

* New financing and advances originated include those which were not credit-impaired at origination but the credit risk has deteriorated.

17. FINANCING AND ADVANCES (cont'd)

(ix) ECL (cont'd)

Financial assets that are purchased or originated and credit-impaired

The Bank does not purchase or originate credit impaired financing and advances.

Impact on movements in gross carrying amount on allowance for financing and advances

The following explains how significant changes in the gross carrying amount of financing and advances during the financial year have contributed to the changes in the allowance for impairment on financing and advances for the Bank.

Overall, the total allowance for impairment on financing and advances for the Bank increased by RM191.09 million from RM366.69 million to RM557.78 million, due to the following:

(a) 12-month ECL (Stage 1) – increase of RM1.11 million for the Bank, mainly due to:

- Financing and advances that were newly originated; and

- Partially offset by remeasurement of ECL due to deterioration in credit quality and financing and advances that were repaid.

(b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM55.11 million for the Bank, mainly due to:

- Financing and advances which migrated from Stage 1 into Stage 2 due to deterioration in credit quality; and

- Remeasurement of ECL due to deterioration credit quality.

(c) Lifetime ECL Credit-Impaired (Stage 3) – increase of RM134.87 million for the Bank, mainly due to:

- Financing and advances which migrated into Stage 3 due to deterioration in credit quality; and

- Remeasurement of ECL due to deterioration of credit quality partially offset by financing and advances that were fully repaid and written off amounting to RM59.37 million.

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18. OTHER ADVANCES

	2020 RM'000	2019 RM'000
(i) Non-Shariah Assets	6,364	11,914
Less :		
Stage 1 - 12-month ECL	(90)	(75)
Stage 2 - Lifetime ECL not credit-impaired	(54)	(78)
Stage 3 - Lifetime ECL credit-impaired	(3,191)	(4,892)
Non-Shariah Assets at amortised cost	**3,029**	**6,869**

Other advances relate to customer loans which are not in compliance with Shariah principles. All income earned during the year from these loans amounting to RM2,337,261 (2019: RM4,214,125) will be channelled to approved charities.

(ii) Movements in gross impaired Non-Shariah Assets are as follows:

	2020 RM'000	2019 RM'000
At beginning of the year	6,332	8,181
Additions during the year	1,003	2,498
Reclassified as non credit-impaired during the year	(461)	(1,180)
Recoveries during the year	(1,819)	(2,229)
Amount written off	(723)	(938)
At end of the year	**4,332**	**6,332**
Gross impaired Non-Shariah Assets as a percentage of gross Non-Shariah Assets	**68.07%**	**53.15%**

Ongoing efforts are made by Remedial and Recovery Department ("RRD") and Credit Recovery Centre ("CRC") to reduce the impaired Non-Shariah Assets ("NSA") accounts through rescheduling or restructuring and conversion to Islamic accounts for qualified cases. Where rehabilitative efforts failed, RRD and CRC will pursue recovery actions, including litigation, until all efforts are exhausted.

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18. OTHER ADVANCES (cont'd)

(iii) ECL

Movements in impairment allowances are as follows:

	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
		Lifetime ECL Not	**Lifetime ECL**	
	12-month ECL	**Credit-Impaired**	**Credit-Impaired**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Balance as at 1 January 2020	75	78	4,892	**5,045**
Transfer to Stage 1	127	(58)	(69)	**-**
Transfer to Stage 2	(7)	19	(12)	**-**
Transfer to Stage 3	-	(4)	4	**-**
Allowance (written back)/ made during the year	(105)	19	(901)	**(987)**
Net remeasurement due to changes in credit risk	(105)	34	24	**(47)**
Financial assets that have been derecognised	-	(15)	(925)	**(940)**
Write off	-	-	(723)	**(723)**
Balance as at 31 December 2020	**90**	**54**	**3,191**	**3,335**

* There are no new other advances originated during the year.

18. OTHER ADVANCES (cont'd)

(iii) ECL (cont'd)

Movements in impairment allowances are as follows: (cont'd)

	ECL Staging			
	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL Not Credit-Impaired RM'000	Stage 3 Lifetime ECL Credit-Impaired RM'000	Total RM'000
Balance as at 1 January 2019	142	398	6,939	**7,479**
Transfer to Stage 1	25	(5)	(20)	**-**
Transfer to Stage 2	(16)	16	-	**-**
Transfer to Stage 3	(7)	(79)	86	**-**
Allowance written back during the year	(69)	(252)	(1,175)	**(1,496)**
Net remeasurement due to changes in credit risk	(53)	(24)	(209)	**(286)**
Financial assets that have been derecognised	(16)	(228)	(966)	**(1,210)**
Write off	-	-	(938)	**(938)**
Balance as at 31 December 2019	**75**	**78**	**4,892**	**5,045**

* There are no new other advances originated during the year.

18. OTHER ADVANCES (cont'd)

(iii) ECL (cont'd)

Financial assets that are purchased or originated and credit-impaired

The Bank does not purchase or originate credit impaired advances.

Impact on movements in gross carrying amount on allowance for other advances

The following explains how significant changes in the gross carrying amount of other advances during the financial year have contributed to the changes in the allowance for impairment on other advances for the Bank.

Overall, the total allowance for impairment on other advances for the Bank decreased by RM1.71 million, due to the following:

(a) 12-month ECL (Stage 1) – increase of RM0.02 million for the Bank, mainly due to:

- Other advances that migrated from Stage 2 and 3 due to improvement in credit quality; and

- Partially offset by remeasurement of ECL due to deterioration in credit quality.

(b) Lifetime ECL Not Credit-Impaired (Stage 2) – decrease of RM0.03 million for the Bank, mainly due to:

- Other advances that were fully repaid; and

- Other advances that migrated from Stage 3 or remeasurement of ECL due to improvement in credit quality.

(c) Lifetime ECL Credit-Impaired (Stage 3) – decrease of RM1.70 million for the Bank, mainly due to:

- Other advances that were fully repaid and written off.

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19. OTHER ASSETS

	2020 RM'000	2019 RM'000
Foreclosed properties	6,095	6,095
Tax recoverable	5,291	-
Profit and income receivable	79,380	83,651
Other receivables	78,248	70,882
	169,014	**160,628**
Less: Impairment allowance	(11,376)	(12,588)
Other assets, net of impairment allowance	**157,638**	**148,040**

Movements in impairment allowances are as follows:

	Lifetime ECL Credit-Impaired RM'000
Balance as at 1 January 2020	12,588
Allowance made during the year	325
Write off	(1,537)
Balance as at 31 December 2020	**11,376**

	Lifetime ECL Credit-Impaired RM'000
Balance as at 1 January 2019	12,286
Allowance written back during the year	302
Balance as at 31 December 2019	**12,588**

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20. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fixtures RM'000	Equipment and office machines RM'000	Computer hardware RM'000	Total RM'000
Cost								
At 1 January 2020	3,487	11,381	87,033	10,770	181,189	69,275	94,502	457,637
Additions	-	-	-	207	5,251	2,326	20,751	28,535
Disposal	-	-	-	-	-	-	-	-
Write off	-	-	-	-	(3,604)	(2,585)	(2,540)	(8,729)
At 31 December 2020	**3,487**	**11,381**	**87,033**	**10,977**	**182,836**	**69,016**	**112,713**	**477,443**
Accumulated depreciation								
At 1 January 2020	-	5,322	33,988	9,013	133,947	53,087	79,834	315,191
Charge for the year	-	294	2,139	632	9,642	3,778	7,109	23,594
Disposal	-	-	-	-	-	-	-	-
Write off	-	-	-		(3,568)	(2,494)	(2,534)	(8,596)
At 31 December 2020	**-**	**5,616**	**36,127**	**9,645**	**140,021**	**54,371**	**84,409**	**330,189**
Net book value								
At 31 December 2020	**3,487**	**5,765**	**50,906**	**1,332**	**42,815**	**14,645**	**28,304**	**147,254**

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20. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fixtures RM'000	Equipment and office machines RM'000	Computer hardware RM'000	Total RM'000
Cost								
At 1 January 2019	3,487	11,604	87,033	11,246	163,652	66,960	88,690	432,672
Additions	-	-	-	51	17,573	2,842	5,841	26,307
Disposal	-	(223)	-	(527)	-	-	-	(750)
Write off	-	-	-	-	(36)	(527)	(29)	(592)
At 31 December 2019	**3,487**	**11,381**	**87,033**	**10,770**	**181,189**	**69,275**	**94,502**	**457,637**
Accumulated depreciation								
At 1 January 2019	-	5,152	31,849	8,799	124,772	49,372	75,089	295,033
Charge for the year	-	294	2,139	741	9,211	4,187	4,773	21,345
Disposal	-	(124)	-	(527)	-	-	-	(651)
Write off	-	-	-	-	(36)	(472)	(28)	(536)
At 31 December 2019	**-**	**5,322**	**33,988**	**9,013**	**133,947**	**53,087**	**79,834**	**315,191**
Net book value								
At 31 December 2019	**3,487**	**6,059**	**53,045**	**1,757**	**47,242**	**16,188**	**14,668**	**142,446**

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20. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(i) The property, plant and equipment acquired from government grants - operating under the 9th Malaysian Plan ("RMK 9") with net book value amounting to RM13,737,375 (2019: RM13,988,302) are as follows:

	Buildings RM'000	Motor vehicles RM'000	Furniture and fixtures RM'000	Equipment and office machines RM'000	Computer hardware RM'000	Total RM'000
At 31 December 2020						
Cost	19,100	1,709	28,188	4,000	23,975	76,972
Accumulated depreciation	(5,363)	(1,709)	(28,188)	(4,000)	(23,975)	(63,235)
Net book value	**13,737**	**-**	**-**	**-**	**-**	**13,737**
At 31 December 2019						
Cost	19,100	1,709	28,188	4,000	23,975	76,972
Accumulated depreciation	(5,112)	(1,709)	(28,188)	(4,000)	(23,975)	(62,984)
Net book value	**13,988**	**-**	**-**	**-**	**-**	**13,988**

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20. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(ii) The property, plant and equipment acquired from government grants - launching with net book value amounting to RM657,124 (2019: RM1,058,799) are as follows:

	Motor vehicles RM'000	Furniture and fixtures RM'000	Equipment and office machines RM'000	Computer hardware RM'000	Total RM'000
At 31 December 2020					
Cost	1,165	15,091	1,858	1,548	19,662
Accumulated depreciation	(1,079)	(14,548)	(1,830)	(1,548)	(19,005)
Net book value	**86**	**543**	**28**	**-**	**657**
At 31 December 2019					
Cost	1,165	15,091	1,858	1,548	19,662
Accumulated depreciation	(985)	(14,258)	(1,813)	(1,548)	(18,604)
Net book value	**180**	**833**	**45**	**-**	**1,058**

21. INTANGIBLE ASSETS

	Computer software RM'000
Cost	
At 1 January 2020	169,953
Additions	21,904
Write off	(54)
At 31 December 2020	**191,803**
Accumulated amortisation	
At 1 January 2020	144,234
Charge for the year	17,497
Write off	(54)
At 31 December 2020	**161,677**
Net book value	
At 31 December 2020	**30,126**
Cost	
At 1 January 2019	150,904
Additions	19,049
Write off	-
At 31 December 2019	**169,953**
Accumulated amortisation	
At 1 January 2019	129,226
Charge for the year	15,008
Write off	-
At 31 December 2019	**144,234**
Net book value	
At 31 December 2019	**25,719**

21. INTANGIBLE ASSETS (cont'd)

Included in the above is computer software acquired from the following government grants:

(a) Government Grant - Launching

	Cost RM'000	Accumulated amortisation RM'000	Net book value RM'000
2020	6,304	(6,304)	-
2019	6,304	(6,304)	-

(b) Government Grant - Operating under the 9th Malaysian Plan ("RMK 9")

	Cost RM'000	Accumulated amortisation RM'000	Net book value RM'000
2020	24,079	(24,079)	-
2019	24,079	(24,079)	-

22. LEASES

Bank as a lessee

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Real estate RM'000	Equipment RM'000	Leasehold land RM'000	Computer hardware RM'000	Total RM'000
Cost					
At 1 January 2020	**53,722**	**166**	**5,871**	**89**	**59,848**
Additions	2,283	683	-	-	2,966
Remeasurement	(1,560)	-	-	-	(1,560)
At 31 December 2020	**54,445**	**849**	**5,871**	**89**	**61,254**
Accumulated depreciation					
At 1 January 2020	**9,904**	**56**	**75**	**16**	**10,051**
Charge for the year	10,172	255	75	16	10,518
Remeasurement	(478)	-	-	-	(478)
At 31 December 2020	**19,598**	**311**	**150**	**32**	**20,091**
Net book value					
At 31 December 2020	**34,847**	**538**	**5,721**	**57**	**41,163**

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22. LEASES (cont'd)

Bank as a lessee (cont'd)

	Real estate RM'000	Equipment RM'000	Leasehold land RM'000	Computer hardware RM'000	Total RM'000
Cost					
At 1 January 2019	**50,500**	**166**	**5,871**	**89**	**56,626**
Additions	3,222	-	-	-	3,222
At 31 December 2019	**53,722**	**166**	**5,871**	**89**	**59,848**
Accumulated depreciation					
At 1 January 2019	**-**	**-**	**-**	**-**	**-**
Charge for the year	9,904	56	75	16	10,051
At 31 December 2019	**9,904**	**56**	**75**	**16**	**10,051**
Net book value					
At 31 December 2019	**43,818**	**110**	**5,796**	**73**	**49,797**

Set out below are the carrying amounts of lease liabilities (included under other liabilities) and the movements during the period:

	2020 RM'000	2019 RM'000
At 1 January	40,134	45,226
Additions	2,752	2,885
Accretion of profit	1,454	1,910
Remeasurement	(958)	-
Payments	(10,291)	(9,887)
At 31 December	**33,091**	**40,134**

The maturity analysis of lease liabilities are disclosed in Note 36.

22. LEASES (cont'd)

Bank as a lessee (cont'd)

The following are the amounts recognised in profit or loss:

	2020 RM'000	2019 RM'000
Depreciation	10,518	10,051
Finance cost on lease liabilities	1,454	1,910
Expense relating to short-term leases	126	65
Expense relating to leases of low-value assets (included in maintenance cost)	2,188	1,634
Gain on remeasurement of ROU assets	(110)	-
Total amount recognised in profit or loss	**14,176**	**13,660**

23. DEFERRED TAX (LIABILITIES) / ASSETS

	2020 RM'000	2019 RM'000
At 1 January	(12,702)	11,391
Recognised in profit or loss (Note 13)	(275)	4,087
Recognised in other comprehensive income	(16,799)	(28,180)
At 31 December	**(29,776)**	**(12,702)**
Presented after appropriate offsetting as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	(29,776)	(12,702)
	(29,776)	**(12,702)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relates to the same fiscal authority.

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23. DEFERRED TAX (LIABILITIES) / ASSETS (cont'd)

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

Deferred tax liabilities:

	Property, plant, equipment and intangible assets RM'000	FVOCI reserve RM'000	Total RM'000
At 1 January 2020	(5,321)	(26,898)	(32,219)
Recognised in:			
- Profit or loss	(542)	-	(542)
- Other comprehensive income	-	(16,799)	(16,799)
At 31 December 2020	**(5,863)**	**(43,697)**	**(49,560)**
At 1 January 2019	(4,814)	1,282	(3,532)
Recognised in:			
- Profit or loss	(507)	-	(507)
- Other comprehensive income	-	(28,180)	(28,180)
At 31 December 2019	**(5,321)**	**(26,898)**	**(32,219)**

Deferred tax assets:

	Provisions RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	18,421	1,096	19,517
Recognised in:			
- Profit or loss	125	142	267
At 31 December 2020	**18,546**	**1,238**	**19,784**
At 1 January 2019	14,051	872	19,735
Recognised in:			
- Profit or loss	4,370	224	4,594
At 31 December 2019	**18,421**	**1,096**	**19,517**

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24. (a) DEPOSITS FROM CUSTOMERS

	2020 RM'000	2019 RM'000
Tawarruq		
Fixed Return Investment Account- i (FRIA-i)	4,753,098	3,960,158
AgroPrima	192,683	178,364
	4,945,781	4,138,522
Wadiah Yad Dhamanah		
Qard Savings	2,021,118	1,600,012
Agro Perdana-i	1,911,332	1,584,625
Deposit Securities	205,035	228,308
Basic Savings Accounts	8,531	6,169
	4,146,016	3,419,114
	9,091,797	**7,557,636**

Maturity structure for FRIA-i and AgroPrima are as follows:

	2020 RM'000	2019 RM'000
Within six months	2,651,883	2,792,867
Between six months to one year	2,206,469	1,223,076
Between one year to three years	40,495	74,841
Between three years to five years	46,934	47,738
	4,945,781	**4,138,522**

The deposits are sourced from the following type of customers:

	2020 RM'000	2019 RM'000
Government	3,013,586	2,392,120
Individuals	3,554,861	3,059,468
Domestic business enterprises	1,416,053	1,119,777
Domestic other entities	1,067,300	932,046
Domestic non-banking institutions	39,997	54,225
	9,091,797	**7,557,636**

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24. (b) DEPOSIT AND PLACEMENT OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2020 RM'000	2019 RM'000
Tawarruq		
Pelaburan Khas-i	**2,603,556**	**3,280,172**

Maturity structure for Pelaburan Khas-i is as follows:

	2020 RM'000	2019 RM'000
Within six months	2,603,556	3,277,170
Between six months to one year	-	3,002
	2,603,556	**3,280,172**

The deposits are sourced from the following types of customers:

	2020 RM'000	2019 RM'000
Government	1,501,101	1,414,397
Domestic business enterprises	664,343	1,461,364
Domestic non-banking institutions	438,112	404,411
	2,603,556	**3,280,172**

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25. OTHER LIABILITIES

	Note	2020 RM'000	2019 RM'000
(a) Other payables and accruals			
Accrued expenses		25,430	26,674
Sundry creditors		28,266	48,682
Provision for expenses		18,540	48,141
Donation/charity	(i)	2,065	67
Zakat payable		4,052	5,764
Provision for re-instatement cost	(ii)	6,311	6,091
Tax payable		-	15,620
Provision for undistributed profit	(iii)	1,528	1,528
Retirement benefits scheme	(iv)	342	300
Compensation claim	(v)	123	1,530
		86,657	**154,397**

(i) Donation/charity payable

	2020 RM'000	2019 RM'000
At 1 January	**67**	**1,231**
Addition	2,337	4,214
Utilisation during the year:		
Provision for other advances (Note 7(b))	(339)	(4,589)
Tax penalty	-	(789)
At 31 December	**2,065**	**67**

Donation/charity payable relate to income in respect of loans which are not in compliance with Shariah principle. Non-shariah income ("NSI") is utilised for the following:

(a) to utilise NSI as a provision for other advances ("NSA") Non-Shariah Assets;
(b) to utilise NSI to pay tax on NSI inclusive of tax penalty arising from non declaration of NSI; or
(c) to distribute NSI to selected Majlis Agama Negeri for the purpose of acquisition of building or office premises.

(ii) Provision for re-instatement cost

	2020 RM'000	2019 RM'000
At 1 January	6,091	-
Effect of adopting MFRS 16	-	5,529
At 1 January, restated	**6,091**	**5,529**
Discount unwinding	239	225
Addition	215	337
Remeasurement	(234)	-
At 31 December	**6,311**	**6,091**

25. OTHER LIABILITIES (cont'd)

(a) Other payables and accruals (cont'd)

(iii) Provision for undistributed profit

	2020 RM'000	2019 RM'000
At 1 January	**1,528**	**4,390**
Distribution	-	(2,862)
At 31 December	**1,528**	**1,528**

Provision for undistributed profit relates to the under accrual of profit payable on Mudharabah deposits.

(iv) Retirement benefits scheme

(a) The provision for retirement benefits scheme is as follows:

	2020 RM'000	2019 RM'000
At 1 January	**300**	**266**
Current service cost [1]	42	34
At 31 December	**342**	**300**

[1] Current service cost in 2020 and 2019 represents an increase in the retirement benefit resulting from an additional year of service rendered by the employees.

(b) The principal assumptions used to determine the estimated costs and obligations are as follows:

	2020	2019
Turnover and early retirement rate		
Age brackets:		
50 years and over	2.11%	2.11%
Salaries increase rate (per annum)	5.00%	5.00%
Average remaining years of service of employees	6.6 years	7.6 years
Discount rate	2.27%	3.28%

(c) Sensitivity analysis for discount rate risk

A one percentage (1%) point decrease or increase in the assumed discount rate would have the following effects:

(i) Current service cost to increase by RM23,072 (2019: RM23,227) or decrease by RM21,406 (2019: RM21,355) respectively.

(ii) Provision for a retirement benefit scheme to increase to RM365,105 (2019: RM323,510) or decrease to RM320,627 (2019: RM278,928) respectively.

25. OTHER LIABILITIES (cont'd)

(a) Other payables and accruals (cont'd)

(v) Compensation claim

	2020 RM'000	2019 RM'000
At 1 January	**1,530**	**1,061**
(Written back)/ additions	(677)	805
Payments made during the year	(730)	(336)
At 31 December	**123**	**1,530**

(b) Paddy credit gratuity scheme

	2020 RM'000	2019 RM'000
At beginning of the year	**2,281**	**2,275**
Additions	29	36
Payments	(404)	(30)
At the end of year	**1,906**	**2,281**

The Bank has set up the scheme to manage gratuity to paddy credit scheme customers. The fund under this scheme is contributed through the withholding of an amount from the financing disbursed to the customers for payment of future benefits to the legal heir of the customers upon their demise.

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25. OTHER LIABILITIES (cont'd)

(c) Expected credit losses for financial guarantee and financing commitments

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
		Lifetime ECL Not	Lifetime ECL	
	12-month ECL	Credit-Impaired	Credit-Impaired	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	**6,030**	**146**	**-**	**6,176**
Transfer to Stage 1	66	(66)	-	**-**
Transfer to Stage 2	(605)	605	-	**-**
Allowance (written back)/made during the year	**(748)**	**4,441**	**-**	**3,693**
New financing commitments and financial guarantees originated*	2,265	523	-	**2,788**
Net remeasurement due to changes in credit risk	(1,919)	3,933	-	**2,014**
Financing commitment and financial guarantees that have been derecognised	(1,094)	(15)	-	**(1,109)**
Balance as at 31 December 2020	**4,743**	**5,126**	**-**	**9,869**

* New financing commitments and financial guarantees originated include those which were not credit-impaired at origination but the credit risk has deteriorated.

25. OTHER LIABILITIES (cont'd)

(c) Expected credit losses for financial guarantee and financing commitments (cont'd)

	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL Not Credit-Impaired	Lifetime ECL Credit-Impaired	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	**4,398**	**133**	**-**	**4,531**
Transfer to Stage 1	95	(95)	-	**-**
Transfer to Stage 2	-	-	-	**-**
Allowance made during the year	**1,537**	**108**	**-**	**1,645**
New financing commitments and financial guarantees originated*	3,629	6	-	**3,635**
Net remeasurement due to changes in credit risk	(779)	126	-	**(653)**
Financing commitment and financial guarantees that have been derecognised	(1,313)	(24)	-	**(1,337)**
Balance as at 31 December 2019	**6,030**	**146**	**-**	**6,176**

* New financing commitments and financial guarantees originated include those which were not credit-impaired at origination but the credit risk has deteriorated.

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26. FINANCING SCHEME FUNDS

Summary of financing scheme funds is as follows:

	Note	2020 RM'000	2019 RM'000
Fund for Food ("3F")	(a)	445,079	282,509
Oil Palm Replanting Scheme ("TASKS")	(b)	6,000	7,000
Micro Enterprise Fund	(c)	58,195	45,792
Commercial Agriculture Fund ("DPK-GLC")	(d)	213,750	204,269
Agriculture Entrepreneur Financing Fund 1 ("DPUP 1")	(e)	960,283	1,016,571
Agriculture Entrepreneur Financing Fund 2 ("DPUP 2")	(f)	118,341	124,870
Agriculture Entrepreneur Financing Fund 3 ("DPUP 3")	(g)	123,529	118,721
Agriculture Entrepreneur Financing Fund 4 ("DPUP 4")	(h)	22,418	21,572
Agriculture Entrepreneur Financing Fund 5 ("DPUP 5")	(i)	30,951	29,787
Agriculture Entrepreneur Financing Fund 6 ("DPUP 6")	(j)	48,389	49,293
Agriculture Entrepreneur Financing Fund 7 ("DPUP 7")	(k)	50,900	50,386
Special Relief Facility	(l)	334,788	2,772
Fund for Small and Medium Size Industries (“TIKS")	(m)	25,639	16,118
Disaster Relief Facility	(n)	3,621	3,660
		2,441,883	**1,973,320**

(a) Fund For Food ("3F")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	282,234	275	282,509
Additions	178,730	-	178,730
Charged to profit or loss	-	864	864
Payments	(16,252)	(772)	(17,024)
At 31 December 2020	**444,712**	**367**	**445,079**

26. FINANCING SCHEME FUNDS (cont'd)

(a) Fund For Food ("3F") (cont'd)

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2019	192,123	276	192,399
Additions	139,212	-	139,212
Charged to profit or loss	-	575	575
Payments	(49,101)	(576)	(49,677)
At 31 December 2019	**282,234**	**275**	**282,509**

Under the 9th Malaysian Plan ("RMK 9"), the Government agreed to channel RM300 million every year for a tenure of 15 years (3 years grace period) at a profit rate of 0.25% per annum. The purpose of this fund is to enhance the food production industry and to reduce dependency on imports. Since 15 May 2014, new financing scheme funds channelled through the Ministry of Finance and Ministry of Agriculture was merged into DPUP 1. The balance of the above Fund for Food financing scheme is from BNM at a profit rate of 0.25% per annum. This fund has benefited 9,306 customers (2019: 7,626 customers) with accumulated disbursement amounting to RM1.62 billion (2019: RM1.55 billion).

(b) Oil Palm Replanting Scheme ("TASKS")

	Principal RM'000
As at 1 January 2020	7,000
Payments	(1,000)
At 31 December 2020	**6,000**
As at 1 January 2019	8,000
Payments	(1,000)
At 31 December 2019	**7,000**

This fund is channelled through the Ministry of Plantation Industries and Commodities to finance the replanting of oil palm plantations. The financing tenure is 20 years (5 years grace period) without profit. This fund has benefited 199 customers (2019: 199 customers) with accumulated disbursement amounting to RM14.90 million (2019: RM14.90 million).

(c) Micro Enterprise Fund

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	45,624	168	45,792
Additions	13,606	-	13,606
Charged to profit or loss	-	709	709
Payments	(1,229)	(683)	(1,912)
At 31 December 2020	**58,001**	**194**	**58,195**

26. FINANCING SCHEME FUNDS (cont'd)

(c) Micro Enterprise Fund (cont'd)

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2019	42,324	193	42,517
Additions	6,519	-	6,519
Charged to profit or loss	-	642	642
Payments	(3,219)	(667)	(3,886)
At 31 December 2019	**45,624**	**168**	**45,792**

The fund amounting to RM200.0 million was launched by BNM to increase the access for micro financing on selected eligible micro entrepreneurs. The profit rate of this fund is 1.5% per annum for a tenure of 5 years. This fund has benefited 8,576 customers (2019: 8,486 customers) with accumulated disbursement amounting to RM201.12 million (2019: RM187.63 million).

(d) Commercial Agriculture Fund ("DPK-GLC")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	197,638	6,631	204,269
Charged to profit or loss	8,731	750	9,481
At 31 December 2020	**206,369**	**7,381**	**213,750**
As at 1 January 2019	189,319	5,881	195,200
Charged to profit or loss	8,319	750	9,069
At 31 December 2019	**197,638**	**6,631**	**204,269**

The fund amounting RM300.0 million was channelled by the Government on 27 May 2014 with a principal bullet payment tenure of 15 years at a profit rate of 0.25% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant as disclosed in Note 29(k). The purpose of this fund is to finance the commercial agro-based industry. This fund has benefited 23 customers (2019: 17 customers) with accumulated disbursement amounting to RM128.66 million (2019: RM95.25 million).

26. FINANCING SCHEME FUNDS (cont'd)

(e) Agriculture Entrepreneur Financing Fund 1 ("DPUP 1")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	999,994	16,577	1,016,571
Charged to profit or loss	38,011	5,844	43,855
Payments	(94,299)	(5,844)	(100,143)
At 31 December 2020	**943,706**	**16,577**	**960,283**
As at 1 January 2019	1,022,175	16,577	1,038,752
Charged to profit or loss	40,463	6,062	46,525
Payments	(62,644)	(6,062)	(68,706)
At 31 December 2019	**999,994**	**16,577**	**1,016,571**

The financing scheme funds which were previously channelled by the Government through the Ministry of Finance and Ministry of Agriculture was merged into this scheme from 15 May 2014 onwards. The purpose of this fund is to enhance the food production industry and agriculture related activities. The financing tenure is 15 years (5 years grace period) at a profit rate of 0.5% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant disclosed in Note 29(l). This fund has benefited 84,887 customers (2019: 84,887 customers) with accumulated disbursement amounting to RM3.48 billion (2019: RM3.48 billion).

(f) Agriculture Entrepreneur Financing Fund 2 ("DPUP 2")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	124,786	84	124,870
Charged to profit or loss	4,463	750	5,213
Payments	(10,992)	(750)	(11,742)
At 31 December 2020	**118,257**	**84**	**118,341**
As at 1 January 2019	120,199	84	120,283
Charged to profit or loss	4,587	750	5,337
Payments	-	(750)	(750)
At 31 December 2019	**124,786**	**84**	**124,870**

26. FINANCING SCHEME FUNDS (cont'd)

(f) Agriculture Entrepreneur Financing Fund 2 ("DPUP 2") (cont'd.)

The fund amounting RM150.0 million was received from the Government on 23 December 2014. The tenure of this financing is 15 years (5 years grace period) at a profit rate of 0.5% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant as disclosed in Note 29(m). The purpose of this fund is to stimulate growth of farming activities involving upstream and downstream activities. This fund has benefited 4,953 customers (2019: 4,950 customers) with accumulated disbursement amounting to RM156.80 million (2019: RM155.67 million).

(g) Agriculture Entrepreneur Financing Fund 3 ("DPUP 3")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	118,721	-	118,721
Charged to profit or loss	4,808	750	5,558
Payments	-	(750)	(750)
At 31 December 2020	**123,529**	**-**	**123,529**
As at 1 January 2019	114,129	-	114,129
Charged to profit or loss	4,592	750	5,342
Payments	-	(750)	(750)
At 31 December 2019	**118,721**	**-**	**118,721**

The fund amounting RM150.0 million was received from the Government on 28 October 2015. The tenure of this financing is 15 years (5 years grace period) at a profit rate of 0.5% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant as disclosed in Note 29(n). The purpose of this fund is to stimulate growth of farming activities involving upstream and downstream activities. This fund has benefited 4,134 customers (2019: 4,132 customers) with accumulated disbursement amounting to RM158.84 million (2019: RM145.99 million).

26. FINANCING SCHEME FUNDS (cont'd)

(h) Agriculture Entrepreneur Financing Fund 4 ("DPUP 4")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	21,572	-	21,572
Charged to profit or loss	846	175	1,021
Payments	-	(175)	(175)
At 31 December 2020	**22,418**	**-**	**22,418**
As at 1 January 2019	20,764	-	20,764
Charged to profit or loss	808	175	983
Payments	-	(175)	(175)
At 31 December 2019	**21,572**	**-**	**21,572**

The fund amounting RM35.0 million was received from the Government on 5 January 2017. The tenure of this financing is 20 years (10 years grace period) at a profit rate of 0.5% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant as disclosed in Note 29(o). The purpose of this fund is to stimulate growth of farming activities involving upstream and downstream activities. This fund has benefited 43 customers (2019: 43 customers) with accumulated disbursement amounting to RM29.36 million (2019: RM29.22 million).

(i) Agriculture Entrepreneur Financing Fund 5 ("DPUP 5")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	29,787	-	29,787
Charged to profit or loss	1,164	250	1,414
Payments	-	(250)	(250)
At 31 December 2020	**30,951**	**-**	**30,951**
As at 1 January 2019	28,677	-	28,677
Charged to profit or loss	1,110	250	1,360
Payments	-	(250)	(250)
At 31 December 2019	**29,787**	**-**	**29,787**

26. FINANCING SCHEME FUNDS (cont'd)

(i) Agriculture Entrepreneur Financing Fund 5 ("DPUP 5") (cont'd)

The fund amounting RM50.0 million was received from the Government on 14 November 2017. The tenure of this financing is 20 years (10 years grace period) at a profit rate of 0.5% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant as disclosed in Note 29(p). The purpose of this fund is to stimulate growth of farming activities involving upstream and downstream activities. This fund has benefited 72 customers (2019: 72 customers) with accumulated disbursement amounting to RM37.13 million (2019: RM32.02 million).

(j) Agriculture Entrepreneur Financing Fund 6 ("DPUP 6")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	49,293	-	49,293
Charged to profit or loss	106	2,000	2,106
Payments	(1,010)	(2,000)	(3,010)
At 31 December 2020	**48,389**	**-**	**48,389**
As at 1 January 2019	50,000	-	50,000
Transfer to Government Grants-Funds (Note 29 (q))	(837)	-	(837)
Charged to profit or loss	130	2,110	2,240
Payments	-	(2,110)	(2,110)
At 31 December 2019	**49,293**	**-**	**49,293**

The fund amounting RM50.0 million was received from the Government on 12 December 2018. The tenure of this financing is 10 years (1 year grace period) at a profit rate of 4.0% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant as disclosed in Note 29(q). The purpose of this fund is to stimulate growth of farming activities involving upstream and downstream activities. This fund has benefited 2,725 customers (2019: 2.687 customers) with accumulated disbursement amounting to RM32.16 million (2019: RM24.50 million).

26. FINANCING SCHEME FUNDS (cont'd)

(k) Agriculture Entrepreneur Financing Fund 7 ("DPUP 7")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	50,386	-	50,386
Charged to profit or loss	514	1,562	2,076
Payments	-	(1,562)	(1,562)
At 31 December 2020	**50,900**	**-**	**50,900**
As at 1 January 2019	-	-	-
Fund received	60,000	-	60,000
Transfer to Government Grants-Funds (Note 29 (r))	(9,614)	-	(9,614)
At 31 December 2019	**50,386**	**-**	**50,386**

The fund amounting RM60 million was received from the Government on 16 December 2019. The tenure of this financing is 20 years (10 years grace period) at a profit rate of 2.50% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant as disclosed in Note 29(r). The purpose of this fund is to stimulate growth of farming activities involving upstream and downstream activities. This fund has benefited 1,407 customers (2019: Nil customers) with accumulated disbursement amounting to RM13.66 million (2019: RM Nil).

(l) Special Relief Facility

	Principal RM'000
As at 1 January 2020	2,772
Fund received	371,874
Transfer to Government Grants-Funds (Note 29 (s))	(32,529)
Charged to profit or loss	2,578
Payments	(9,907)
At 31 December 2020	**334,788**
As at 1 January 2019	5,051
Charged to profit or loss	110
Payments	(2,389)
At 31 December 2019	**2,772**

26. FINANCING SCHEME FUNDS (cont'd)

(l) Special Relief Facility (cont'd)

The fund is channelled from BNM without profit to minimise loss borne by farmers affected by the flood catastrophe in December 2014 and to help alleviate the short-term cash flow problems faced by SMEs adversely affected by the COVID-19 outbreak in year 2020. Financing is offered to farmers up to 5 years with 6 months moratorium at a profit rate of 2.25% per annum and to SMEs up to 5.5 years with 6 months moratorium period at a profit rate of up to 3.50% per annum respectively. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing was recognised as a government grant as disclosed in Note 29(s). This fund has benefited 1,464 customers (2019: 288 customers) with accumulated disbursement amounting to RM351.60 million (2019: RM13.39 million).

(m) Fund for Small and Medium Size Industries ("TIKS")

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	16,119	(1)	16,118
Fund received	9,508	-	9,508
Charged to profit or loss	-	317	317
Payments	(4)	(300)	(304)
At 31 December 2020	**25,623**	**16**	**25,639**
As at 1 January 2019	4,812	(1)	4,811
Fund received	11,326	-	11,326
Charged to profit or loss	-	183	183
Payments	(19)	(183)	(202)
At 31 December 2019	**16,119**	**(1)**	**16,118**

The fund is channelled by BNM to increase access to micro financing for selected eligible small and medium agro-based entrepreneurs. The tenure of this financing is 5 years at a profit rate of 1.5% per annum. This fund has benefited 105 customers (2019: 33 customers) with accumulated disbursement amounting to RM25.83 million (2019: RM16.31 million).

(n) Disaster Relief Facility

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2020	3,487	173	3,660
Charged to profit or loss	-	120	120
Payments	(159)	-	(159)
At 31 December 2020	**3,328**	**293**	**3,621**

26. FINANCING SCHEME FUNDS (cont'd)

(n) Disaster Relief Facility (cont'd)

	Principal RM'000	Profit RM'000	Total RM'000
As at 1 January 2019	4,710	15	4,725
Fund received	45	-	45
Charged to profit or loss	-	158	158
Payments	(1,268)	-	(1,268)
At 31 December 2019	**3,487**	**173**	**3,660**

The fund is channelled from BNM without profit to minimise loss borne by farmers affected by the flood catastrophe in December 2017. Financing is offered to farmers up to 5 years with 6 months moratorium at a profit rate of 2.25% per annum. The fund was fair valued at inception using market profit rate. The difference between the proceeds received and the fair value of the financing is recognised as a government grant as disclosed in Note 29(t). This fund has benefited 23 customers (2019: 23 customers) with accumulated disbursement amounting to RM5.17 million (2019: RM5.17 million).

27. GOVERNMENT GRANT - OPERATING

	Capital Expenditure RM'000	Development Expenditure RM'000	Total RM'000
As at 1 January 2020	22,931	77	23,008
Amortisation during the year	(251)	-	(251)
At 31 December 2020	**22,680**	**77**	**22,757**
As at 1 January 2019	23,233	77	23,310
Amortisation during the year	(302)	-	(302)
At 31 December 2019	**22,931**	**77**	**23,008**

Since 2006, the Bank has received operating grant amounting to RM82.0 million from the Minister of Finance (Incorporated). The purpose of the grant is for capital expenditure to finance the acquisition of property, plant and equipment as well as development expenditure to finance training courses provided to entrepreneurs. The property, plant and equipment acquired under this grant is disclosed in Note 20(i).

28. GOVERNMENT GRANT - LAUNCHING

	Capital Expenditure RM'000	Development Expenditure RM'000	Total RM'000
As at 1 January 2020	1,058	1,433	2,491
Utilisation during the year	-	(7)	(7)
Amortisation during the year	(402)	-	(402)
At 31 December 2020	**656**	**1,426**	**2,082**
As at 1 January 2019	1,478	1,442	2,920
Utilisation during the year	-	(9)	(9)
Amortisation during the year	(420)	-	(420)
At 31 December 2019	**1,058**	**1,433**	**2,491**

In 2007, the Minister of Finance (Incorporated) approved an allocation of RM100.0 million to the Bank for the purpose of the Bank's corporatisation. The grant is to be used for branding, product development and office expansion. The property, plant and equipment acquired under this grant is disclosed in Note 20(ii).

29. GOVERNMENT GRANTS - FUNDS

Summary of government grant funds is as follows:

	Note	2020 RM'000	2019 RM'000
Government grants - Funds			
Entrepreneur Scheme for Graduates	(a)	1,141	1,140
Special Fund For Terengganu Fishery	(b)	36	36
Development Programme for Hard-core Poor	(c)	2,484	2,485
Fund for Minister of Youth and Sports	(d)	9,180	9,022
Bumiputera Commercial and Industrial Community Scheme HUB	(e)	35,598	35,380
National Key Economic Area	(f)	54,732	54,524
Micro Economic Stimulation Package	(g)	161,752	160,036
Micro ESP Flood Relief	(h)	2,833	2,887
Agriculture Mechanism and Automation Scheme	(i)	10,592	5,792
Oil Palm Replanting for Small Holders	(j)	19,800	19,800
		298,148	291,102
Government grants - financing scheme funds			
Commercial Agriculture Fund	(k)	90,450	99,181
Agriculture Entrepreneur Financing Fund 1	(l)	165,882	203,893
Agriculture Entrepreneur Financing Fund 2	(m)	20,666	25,130
Agriculture Entrepreneur Financing Fund 3	(n)	26,472	31,280
Agriculture Entrepreneur Financing Fund 4	(o)	12,582	13,428
Agriculture Entrepreneur Financing Fund 5	(p)	19,049	20,213
Agriculture Entrepreneur Financing Fund 6	(q)	601	707
Agriculture Entrepreneur Financing Fund 7	(r)	9,100	9,614
Special Relief Facility	(s)	29,967	16
Disaster Relief Facility	(t)	126	246
		374,895	403,708
		673,043	**694,810**

(a) Entrepreneur Scheme for Graduates ("SUTKS")

	2020 RM'000	2019 RM'000
At beginning of the year	1,140	1,137
Writeback (Note 7)	1	3
At end of the year	**1,141**	**1,140**

The objective of this programme is to reduce the unemployment rate among graduates by creating career opportunities in the agricultural sector. Financing is offered under *Al – Bai' Bithaman Ajil* which imposes a profit rate of 3% per annum. The grant has benefited 203 graduates (2019: 203 graduates) with accumulated disbursement amounting to RM8.35 million (2019: RM8.35 million).

29. GOVERNMENT GRANTS - FUNDS (cont'd)

(b) Special Fund for Terengganu Fishery ("DKSP")

	2020 RM'000	2019 RM'000
At beginning of the year	36	37
Utilisation (Note 7)	-	(1)
At end of the year	**36**	**36**

The objective of this fund is to raise the socioeconomic status of fishermen, fish breeders and aquaculture entrepreneurs. The financing is offered under *Al – Bai' Bithaman Ajil* up to 100% of the total project cost at a profit free-rate. The financing terms would depend on the project with payment terms not exceeding 10 years. The grant has benefited 877 customers (2019: 877 customers) with accumulated disbursement amounting to RM29.90 million (2019: RM29.90 million).

(c) Development Programme for Hard-core Poor ("PPRT")

	2020 RM'000	2019 RM'000
At beginning of the year	2,485	2,494
Utilisation (Note 7)	(1)	(9)
At end of the year	**2,484**	**2,485**

This program represents profit-free financing from the Government to the hard-core poor. The grant has benefited 92 customers (2019: 92 customers) with accumulated disbursement amounting to RM0.66 million (2019: RM0.66 million).

(d) Fund for Minister of Youth and Sports ("DKBS")

	2020 RM'000	2019 RM'000
At beginning of the year	9,022	8,745
Writeback (Note 7)	158	277
At end of the year	**9,180**	**9,022**

The purpose of this fund is to encourage youth involvement in the agricultural industry under *Skim Belia Tani.* Financing is offered at a profit rate of 4.00% per annum. The grant has benefited 524 customers (2019: 524 customers) with accumulated disbursement amounting to RM15.73 million (2019: RM15.73 million).

29. GOVERNMENT GRANTS - FUNDS (cont'd)

(e) Bumiputera Commercial and Industrial Community Scheme HUB ("MPPB HUB")

	2020 RM'000	2019 RM'000
At beginning of the year	35,380	35,325
Writeback (Note 7)	218	55
At end of the year	**35,598**	**35,380**

The objective of this fund is to finance Bumiputera agricultural ventures with maximum financing available up to RM200,000 per financing. Financing is offered at a profit rate of 3.75% per annum. The grant has benefited 512 customers (2019: 512 customers) with accumulated disbursement amounting to RM41.67 million (2019: RM41.67 million).

(f) National Key Economic Area ("NKEA")

	2020 RM'000	2019 RM'000
At beginning of the year	54,524	54,036
Writeback (Note 7)	208	488
At end of the year	**54,732**	**54,524**

The purpose of this fund is to encourage entrepreneur participation in agro based industries by providing a maximum of RM300,000 per financing. Financing is offered at a profit rate of 4.00% per annum. The grant has benefited 997 customers (2019: 997 customers) with accumulated disbursement amounting to RM124.18 million (2019: RM124.18 million).

(g) Micro Economic Stimulation Package ("Micro - ESPi")

	2020 RM'000	2019 RM'000
At beginning of the year	160,036	158,493
Writeback (Note 7)	1,716	1,543
At end of the year	**161,752**	**160,036**

The purpose of this fund is to encourage entrepreneur participation in agricultural production activities by providing a maximum of RM20,000 per financing. Financing is offered at a profit rate of 4.00% (production) and 10% (non-production) per annum. The grant has benefited 17,286 customers (2019: 17,286 customers) with accumulated disbursement amounting to RM334.73 million (2019: RM334.73 million).

29. GOVERNMENT GRANTS - FUNDS (cont'd)

(h) Micro ESP Flood Relief

	2020 RM'000	2019 RM'000
At beginning of the year	2,887	2,869
(Utilisation)/ Writeback (Note 7)	(54)	18
At end of the year	**2,833**	**2,887**

The objective of this program is to minimise loss of income borne of farmers affected by flood catastrophe in December 2014. Financing is offered up to 5 years with 6 months moratorium at a profit rate of 3.75% per annum. The grant has benefited 33 customers (2019: 33 customers) with accumulated disbursement amounting to RM1.18 million (2019: RM1.18 million).

(i) Agriculture Mechanism and Automation Scheme ("MAP")

	2020 RM'000	2019 RM'000
At beginning of the year	5,792	5,792
Fund received	4,800	-
At end of the year	**10,592**	**5,792**

The objective of this program is to encourage automation and usage of high technology in agriculture sector. Financing is offered up to 9 years at a profit rate of 3.75% per annum. As at 31 December 2020, no disbursement has yet been made from this grant.

(j) Oil Palm Replanting for Small Holders ("TSPKS")

	2020 RM'000	2019 RM'000
At beginning of the year	19,800	-
Fund received	-	20,000
Management fees	-	(200)
At end of the year	**19,800**	**19,800**

The fund amounting RM20.0 million was received from the Government on 14 November 2019. The purpose of this fund is to support oil palm replanting for small holders. The fund is channelled from the Government as a grant for 2019 and as a financing without profit for the subsequent years. In addition, the liability risk borne between Government and Bank is 50:50 (at uncollected portion). Financing is offered to farmers up to 12 years with 4 years moratorium at a profit rate of 2.0% per annum. The Government has agreed to contribute 1% per annum as management fees to the Bank during the moratorium period (4 years). The grant has benefited 188 customers (2019: Nil customers) with accumulated disbursement amounting to RM6.76 million (2019: RM Nil).

29. GOVERNMENT GRANTS - FUNDS (cont'd)

(k) Commercial Agriculture Fund ("DPK-GLC")

	2020 RM'000	2019 RM'000
At beginning of the year	99,181	107,500
Amortisation (Note 12)	(8,731)	(8,319)
At end of the year	**90,450**	**99,181**

The benefit of this below market rate financing scheme fund amounting to RM300.0 million, channelled by the Government on 27 May 2014 at a profit rate of 0.25% per annum, is recognised as a Government Grant as disclosed in Note 26 (d).

(l) Agriculture Entrepreneur Financing Fund 1 ("DPUP 1")

	2020 RM'000	2019 RM'000
At beginning of the year	203,893	244,356
Amortisation (Note 12)	(38,011)	(40,463)
At end of the year	**165,882**	**203,893**

The financing scheme funds which were channelled by the Government through the Ministry of Finance and Ministry of Agriculture and Agro-Based Industries was merged into this scheme. The benefit of this below market rate financing scheme fund at a profit rate of 0.5% per annum, is recognised as a Government Grant as disclosed in Note 26 (e).

(m) Agriculture Entrepreneur Financing Fund 2 ("DPUP 2")

	2020 RM'000	2019 RM'000
At beginning of the year	25,130	29,717
Amortisation (Note 12)	(4,464)	(4,587)
At end of the year	**20,666**	**25,130**

The benefit of this below market rate financing scheme fund amounting to RM150.0 million, received from the Government on 23 December 2014 at a profit rate of 0.5% per annum, is recognised as a Government Grant as disclosed in Note 26 (f).

29. GOVERNMENT GRANTS - FUNDS (cont'd)

(n) Agriculture Entrepreneur Financing Fund 3 ("DPUP 3")

	2020 RM'000	2019 RM'000
At beginning of the year	31,280	35,872
Amortisation (Note 12)	(4,808)	(4,592)
At end of the year	**26,472**	**31,280**

The benefit of this below market rate financing scheme fund amounting to RM150.0 million, received from the Government on 28 October 2015 at a profit rate of 0.5% per annum, is recognised as a Government Grant as disclosed in Note 26 (g).

(o) Agriculture Entrepreneur Financing Fund 4 ("DPUP 4")

	2020 RM'000	2019 RM'000
At beginning of the year	13,428	14,236
Amortisation (Note 12)	(846)	(808)
At end of the year	**12,582**	**13,428**

The benefit of this below market rate financing scheme fund amounting to RM35.0 million, received from the Government on 5 January 2017 at a profit rate of 0.5% per annum, is recognised as a Government Grant as disclosed in Note 26 (h).

(p) Agriculture Entrepreneur Financing Fund 5 ("DPUP 5")

	2020 RM'000	2019 RM'000
At beginning of the year	20,213	21,323
Amortisation (Note 12)	(1,164)	(1,110)
At end of the year	**19,049**	**20,213**

The benefit of this below market rate financing scheme fund amounting to RM50.0 million, received from the Government on 14 November 2017 at a profit rate of 0.5% per annum, is recognised as a Government Grant as disclosed in Note 26 (i).

29. GOVERNMENT GRANTS - FUNDS (cont'd)

(q) Agriculture Entrepreneur Financing Fund 6 ("DPUP 6")

	2020 RM'000	2019 RM'000
At beginning of the year	707	-
Transfer from Financing Scheme Funds (Note 26 (j))	-	837
Amortisation (Note 12)	(106)	(130)
At end of the year	**601**	**707**

The benefit of this below market rate financing scheme fund amounting to RM50.0 million, received from the Government on 12 December 2018 at a profit rate of 4.0% per annum, is recognised as a Government Grant as disclosed in Note 26 (j).

(r) Agriculture Entrepreneur Financing Fund 7 ("DPUP 7")

	2020 RM'000	2019 RM'000
At beginning of the year	9,614	-
Transfer from Financing Scheme Funds (Note 26 (k))	-	9,614
Amortisation (Note 12)	(514)	-
At end of the year	**9,100**	**9,614**

The benefit of this below market rate financing scheme fund amounting to RM60.0 million, received from the Government on 16 December 2019 at a profit rate of 2.50% per annum, is recognised as a Government Grant as disclosed in Note 26 (k).

(s) Special Relief Facility

	2020 RM'000	2019 RM'000
At beginning of the year	16	125
Transfer from Financing Scheme Funds (Note 26 (l))	32,529	-
Amortisation (Note 12)	(2,578)	(109)
At end of the year	**29,967**	**16**

The benefit of this below market rate financing scheme fund amounting to RM12.87 million and RM32.53 million, received from the BNM in 2015 and 2020 respectively, is recognised as a Government Grant as disclosed in Note 26 (l). Financing is offered to farmers up to 5 years with 6 months moratorium at a profit rate of 2.25% per annum and to SMEs up to 5.5 years with 6 months moratorium period at a profit rate of up to 3.50% per annum respectively.

29. GOVERNMENT GRANTS - FUNDS (cont'd)

(t) Disaster Relief Facility

	2020 RM'000	2019 RM'000
At beginning of the year	246	404
Amortisation (Note 12)	(120)	(158)
At end of the year	**126**	**246**

The benefit of this below market rate financing scheme fund amounting to RM5.13 million, received from the BNM in 2018, is recognised as a Government Grant as disclosed in Note 26 (n). Financing is offered at a profit rate of 2.25% per annum.

30. SHARE CAPITAL

	2020 RM'000	2019 RM'000
Issued and fully paid	**1,000,000**	**1,000,000**

31. RESERVES

	Note	2020 RM'000	2019 RM'000
Non-distributable reserves:			
Statutory reserves	(a)	487,109	487,109
FVOCI reserves	(b)	138,382	85,182
Regulatory reserves	(c)	34,951	34,951
Distributable reserves:			
Retained earnings		1,530,734	1,532,866
		2,191,176	**2,140,108**

(a) Statutory reserves

Transfer of profit to reserves fund is only applicable when Risk Weighted Capital Ratio ("RWCR") of the Bank is below the threshold of 16% as approved by BNM via a letter to the Bank dated 22 February 2008.

(b) FVOCI reserves

The FVOCI reserves is in respect of unrealised fair value gain/(loss) on financial assets at FVOCI.

(c) Regulatory reserves

Regulatory reserves is maintained in addition to the expected credit loss allowance that has been assessed and recognised in accordance with MFRS, as required by BNM in 2018.

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32. DIVIDENDS

	2020 RM'000	2019 RM'000
Final dividend of 3.00 sen net of tax, on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2019	30,000	-
Final dividend of 2.00 sen net of tax, on 1,000,000,000 ordinary shares in respect of the financial year ended 31 December 2018	-	20,000
	30,000	**20,000**

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the current financial year ended 31 December 2020 of 0.099 sen on 1,000,000,000 ordinary shares of RM1.00 each, amounting to dividend payable of RM990,000 will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

33. COMMITMENTS AND CONTINGENCIES

	2020 RM'000	2019 RM'000
Credit related exposures		
Transaction related contingencies	51,870	47,092
Trade related contingencies	21,285	23,954
Financing commitments	914,231	941,574
	987,386	**1,012,620**
Capital commitment		
Approved and contracted for:		
Capital expenditure	**3,718**	**3,444**
Contingent liabilities		
Certain legal actions taken against the Bank with compensation claims	**41,530**	**41,622**
Total Commitments and Contingencies	**1,032,634**	**1,057,686**

33. COMMITMENTS AND CONTINGENCIES (cont'd)

A summary of the status of material litigations against the Bank is as follows:

Case 1

The Bank filed a claim against a customer on 13 August 2015 to recover outstanding financing provided to the customer of approximately RM22.0 million. The customer then filed a counterclaim for approximately RM18.3 million alleging, amongst others, failure of the Bank to discharge its obligations in accordance with the financing documents. The case was fixed for full trial on several dates i.e. 22 and 23 November 2017, 23 until 26 January 2018, 21 until 23 February 2018, 13, 16 until 18 and 23 April 2018, 26 and 27 July 2018, 15 until 17 August 2018, 3 until 5 September 2018, 12 and 13 February 2019, 2 until 4 March 2019, 9 until 11 April 2019, and 16 until 18 April 2019 with the Bank had closed its case. However circa 2019, the customer had filed an application to amend its defence and counter claim (Customer's Amendment Application), resulting to the trial being postponed for several times i.e. 5 & 6 September 2019, 22-23 October 2019, 11-13 December 2019, 13 & 16 April 2020 and 12 & 14 May 2020. The High Court had granted the Customer's Amendment Application on 13 December 2019. During those fixed trial dates, the Bank had also appealed to the decision of High Court on the Customer's Amendment Application (the Bank's Appeal) at the Court of Appeal. Due to the aforesaid, the trial dates which were fixed on 24-26 November 2020 were vacated and the new trial dates are fixed on 10-12 March 2021 and 6-7 May 2021. The Bank's Appeal at the Court of Appeal was dismissed on 3 February 2021. The Bank's solicitors had on 3 March 2021, filed for Leave to Appeal at the Federal Court and Stay on Proceedings at the High Court in lieu of decision made by Court of Appeal in allowing Customer's Amendment Application.

The Bank's solicitors are of the view that the Bank has a good chance of succeeding in its claim and has a fair chance of successfully defending the counter claim by the customer.

The banking facility granted in the above case, which was treated as off balance sheet, was disbursed from a fund managed by the Bank for which the Bank earned management fees. All risks including credit risk on unpaid financing are not borne by the Bank.

33. COMMITMENTS AND CONTINGENCIES (cont'd)

Case 2

The customer filed an application to the Court on 4 June 2018, against the Bank seeking declarations inter alia, that (a) the charge created by the Bank for a financing facility of RM48 million is defective, null and void because the charge was only registered on 3 October 2011 after the termination of the financing facility by the Bank on 25 April 2011; (b) by reason of illegality under Section 214A of the National Land Code whereby any disposal of the estate land requires prior approval from the Estate Land Board, and (c) restitution of all proceeds, benefits, payments and monies amounting to RM18.3 million. The application was fixed for decision on 13 March 2019 whereby the High Court had dismissed the same with costs of RM10,000. The customer appealed to the decision of the High Court and the first case management was on 22 January 2020. On 22 January 2020, the Court further fixed on 28 February 2020 as a hearing date but it was deferred to 13 March 2020. The Court of Appeal had on 13 March 2020 dismissed the customer's appeal with costs of RM20,000 to be paid to the Bank. However, the customer had filed a motion seeking for leave to appeal to the Federal Court against the decision made by the Court of Appeal. On 8 September 2020, the Federal Court had allowed the customer's leave application. The hearing of the appeal proper before the Federal Court is fixed on 16 March 2021. On the said date, both parties had put forward their submissions but the Federal Court reserved its decision to another date which will be notified later.

The Bank's solicitors are of the view that the Bank has a fair chance of successfully defending the case.

34. RELATED PARTY DISCLOSURES

(a) Parent entity

The Bank is a Government Linked Corporation, with all shares held by the Minister of Finance (Incorporated) on behalf of the Government of Malaysia. All entities controlled by the Government of Malaysia meet the definition of related parties of the Bank.

(b) Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank includes Executive Director, Non-Executive Directors, Shariah Committee members and certain members of senior management of the Bank. Remuneration paid to key management personnel of the Bank includes the following:

i) Salaries and bonuses;
ii) Allowances paid to the Directors and Shariah Committee members; and
iii) Other emoluments include Employee Provident Fund ("EPF") contributions, retirement compensation and benefit in kind.

34. RELATED PARTY DISCLOSURES (cont'd)

(b) Key management personnel compensation (cont'd)

Remuneration of directors and other members of key management are as follows:

2020	Salaries and Bonuses RM'000	Allowances RM'000	Other Emoluments RM'000	Total RM'000
Acting President/ Chief Executive Officer				
Puan Khadijah Binti Iskandar	560	-	293	853
	560	-	293	853
Non Executive Directors				
Y. Bhg Dato' Mustapha Bin Buang	-	27	-	27
Y. Bhg Dato' Dr. Mohamad Hashim bin Ahmad Tajudin	-	80	11	91
Y. Bhg Datin Setia Shahariah binti Hashim	-	186	-	186
Y. Bhg Dato' Mohd Sallehhuddin bin Hassan	-	26	-	26
Y. Bhg Datuk Dr. Ahmad Kushairi bin Din	-	13	-	13
Puan Azizah binti Abdul Rahman	-	161	-	161
Tuan Haji Ibrahim bin Hassan	-	207	5	212
Puan Faizah binti Abdullah	-	186	8	194
Encik Abdul Rahim bin Abd Hadi	-	146	4	150
Encik Jit Singh A/L Santok Singh	-	113	2	115
Puan Zarina binti Zakaria	-	57	-	57
	-	1,202	30	1,232
Shariah Committee members				
Assoc. Prof. Dr. Mohamed Fairooz bin Abdul Khir	-	90	-	90
Dr. Mohamad Sabri bin Zakaria	-	69	-	69
Dr. Ahmad Dahlan bin Salleh	-	71	-	71
Y.M. Engku Ahmad Fadzil bin Y.M. Engku Ali	-	71	-	71
Tuan Haji Azizi bin Che Seman	-	71	-	71
Tuan Haji Jahaidi @ Jahoidi bin Harun	-	71	-	71
	-	443	-	443
Other senior management	3,630	-	1,187	4,817
	4,190	**1,645**	**1,510**	**7,345**

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34. RELATED PARTY DISCLOSURES (cont'd)

(b) Key management personnel compensation (cont'd)

Remuneration of directors and other members of key management are as follows: (cont'd)

	Salaries and Bonuses RM'000	Allowances RM'000	Other Emoluments RM'000	Total RM'000
2019				
President/ Chief Executive Officer				
Tuan Syed Alwi Bin Mohamed Sultan (resigned on 28 June 2019)	908	-	154	1,062
	908	-	154	1,062
Non Executive Directors				
Y. Bhg Tan Sri Mohamad Zabidi bin Zainal	-	169	8	177
Y. Bhg Dato' Dr. Mohamad Hashim bin Ahmad Tajudin	-	194	-	194
Y. Bhg Datin Setia Shahariah binti Hashim	-	220	5	225
Y. Bhg Dato' Mohd Sallehhuddin bin Hassan	-	62	-	62
Y. Bhg Dato' Dr. Yusof bin Ismail	-	52	2	54
Puan Azizah binti Abdul Rahman	-	206	5	211
Tuan Haji Ibrahim bin Hassan	-	228	-	228
Puan Faizah binti Abdullah	-	220	-	220
Encik Abdul Rahim bin Abd Hadi	-	204	5	209
Encik Jit Singh A/L Santok Singh	-	170	5	175
	-	1,725	30	1,755
Shariah Committee members				
Assoc. Prof. Dr. Mohamed Fairooz bin Abdul Khir	-	82	-	82
Dr. Mohamad Sabri bin Zakaria	-	54	-	54
Dr. Ahmad Dahlan bin Salleh	-	40	-	40
Y.M. Engku Ahmad Fadzil bin Y.M. Engku Ali	-	60	-	60
Tuan Haji Azizi bin Che Seman	-	58	-	58
Tuan Haji Jahaidi @ Jahoidi bin Harun	-	54	-	54
	-	348	-	348
Other senior management	4,386	-	1,276	5,662
	5,294	**2,073**	**1,460**	**8,827**

34. RELATED PARTY DISCLOSURES (cont'd)

(c) Transactions with key management personnel

The following table provides the total amount of transactions, which have been entered into with key management personnel ("KMP") for the relevant financial year.

	2020 RM'000	2019 RM'000
Financing and advances	82	86
Deposits from customers	1,668	1,737

No financing has been granted to the directors and Shariah Committee members of the Bank in the financial year ended 31 December 2019 and 31 December 2020.

(d) Transactions with related parties

	Note	2020 RM'000	2019 RM'000
Income			
GLC service fees	(i)	10,391	10,488
Commission	(ii)	4,803	4,150
Profit income on deposits placed with Government-Linked Corporations		13,920	18,130
Profit income from FVOCI		111,459	132,752
Profit income from financing from key management personnel and related parties		3,462	4,523
Expense			
Profit expense on deposits placed by key management personnel and Government-Linked Corporations		69,343	106,575
Profit expense on financing scheme funds paid and payable to the Minister of Finance and BNM		13,970	12,248
Contributions to:			
Employee Provident Fund ("EPF")		31,667	31,376
Social Security Organisation ("SOCSO")		2,604	2,569

34. RELATED PARTY DISCLOSURES (cont'd)

(d) Transactions with related parties (cont'd)

Description for income with related parties are as follows:

(i) Fees earned for managing the government funds for financing disbursement paid by Minister of Finance, at a fixed rate of 2.5% per annum on the outstanding balance of the fund under management of RM413.91 million (2019: RM417.53 million).

(ii) Commission earned as bills collection agent from Government of Malaysia's controlled entities.

(e) Outstanding balances arising from transactions with related parties

(i) Included in Assets

	2020 RM'000	2019 RM'000
Financing to related parties	106,550	107,233
Short term deposits/placements with related parties	502,853	401,804
GLC fees receivable	42,472	32,081
FVOCI	2,852,072	3,124,529

(ii) Included in Liabilities

	2020 RM'000	2019 RM'000
Government Grant - Operating	22,757	23,008
Government Grant - Launching	2,082	2,491
Government Grant - Funds	673,043	694,810
Financing scheme funds	2,441,883	1,973,320
Deposits from related entities	4,514,687	3,806,517

(f) Terms and conditions

Transactions with related parties were made on terms equivalent to those that prevailed in negotiated transactions.

35. FINANCING FACILITIES WITH CONNECTED PARTIES

	2020 RM'000	2019 RM'000
Outstanding exposures with connected parties	1,345,621	1,594,750
% of outstanding exposures to connected parties as a proportion of total exposure	7.84%	9.81%
% of outstanding financing exposures with connected parties which is non-performing or in default	0.00%	0.00%

The above disclosure on Financing Facilities with Connected Parties is presented in accordance with paragraph 14.1 as per BNM's policy on Financing Facilities with Connected Parties.

36. FINANCIAL INSTRUMENTS

A. FINANCIAL RISK MANAGEMENT

(a) General risk management

(i) Introduction and overview

The Bank embraces risk management as an integral component of its business, operations and decision making process to ensure that optimum returns are generated with high regard to uncertainties in the business and market environment. The Bank's business activities and operations involve the use of financial instruments that expose the Bank to a variety of financial and business risks as follows:

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

(ii) Risk management framework

The Board of Directors ("The Board") is ultimately responsible for the establishment and oversight of the Bank's risk management associated with the Bank's operations and activities. The Board empowers and delegates its authority to various committees to ensure execution of business strategies and operations are adhered to the approved policies and limits set by the Board/Board Risk Management Committee ("BRMC"). At senior management level, the Board empowers the Management Risk Committee ("MRC") and Asset Liability Committee ("ALCO") to monitor, evaluate, strategise and deliberate risk management activities within the respective areas.

The Bank has the Broad Risk Management Framework ("BRMF") that encompasses credit, market, liquidity, operational and Shariah risks as part of its risk governance. The Bank's risk management policies are established to identify and analyse the risks exposed to the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's current strategies, products and services.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(a) General risk management (cont'd)

(ii) Risk management framework (cont'd)

The Bank's risk management policies are established to identify and mitigate all risks faced by the Bank, to set appropriate risk appetite and risk limits as well as to control and monitor risk exposures and adherence to the approved limits.

(iii) Risk governance framework

The Board may empower the following committees for the oversight function of risk management matters and activities:

- Board Risk Management Committee ("BRMC")
- Board Credit and Investment Committee ("BCIVC")
- Board Audit Committee ("BAC")

At senior management level the following committees had been established to oversight risk management activities and risk exposures:

- Management Risk Committee ("MRC")
- Asset Liability Committee ("ALCO")
- Management Audit Committee ("MAC")

(b) Credit risk

(i) Nature of credit risk

The Bank’s exposure to credit risk is primarily from lending/financing activities to retail consumers, micro, small and medium-sized enterprises ("SMEs") and corporate customers. Investment in bonds, other marketable securities and other financial/banking instruments, whether they are classified under banking book or trading book, may also expose the Bank to credit risk and counterparty credit risk.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(ii) Definition of credit risk

Credit risk is the risk of potential loss due to failure or unwillingness of the customers or counterparties to fulfil their contractual financial obligations as and when they arise.

(iii) Objective of credit risk management

The goal of credit risk management is to keep credit risk exposure to an acceptable level and to ensure the returns are commensurate with risk.

(iv) Management of credit risk

The management of credit risk is governed by the credit risk management framework which sets out the risk management governance and infrastructure, risk management processes and control responsibilities.

Policies, procedures and guidelines for credit operations are properly documented and are made available through the Bank's intranet and Risk Management Division portal. These policies and procedures are subject to periodical review and enhancement to ensure its relevancy and in line with business directions and market environment.

(v) Measurement of credit risk

Collateral position in financing and advances

Credit facilities are granted on the basis of the customer's credit standing, project viability and payment capacity as per the Bank's credit policy. However, due to the nature of its financing, the Bank generally requires collateral against financing and advances to customers in the form of charges over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of financing and is revalued once in two years or when a financing is impaired.

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Collateral position in financing and advances (cont'd)

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

(i) Project financing – charges over land, buildings, plant and machinery, fishing vessels, ownership claim over vehicles, term deposits and pledges over shares and marketable securities.

(ii) Retail financing – charges over land and term deposits for certain types of financing.

	Secured RM'000	Unsecured RM'000	Total RM'000	Financial effect of collateral* %
2020				
Neither past due nor impaired	5,838,930	6,046,291	11,885,221	49.1
Past due but not impaired	385,517	65,903	451,420	85.4
Impaired	794,488	94,560	889,048	89.4
	7,018,935	**6,206,754**	**13,225,689**	**53.1**
2019				
Neither past due nor impaired	4,215,546	6,843,970	11,059,516	38.1
Past due but not impaired	197,292	65,341	262,633	75.1
Impaired	382,551	129,238	511,789	74.7
	4,795,389	**7,038,549**	**11,833,938**	**40.5**

* Based on quantification of the extent to which collateral and other credit enhancements mitigate credit risk in respect of the amount that best represents the maximum exposure to credit risk.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Maximum exposure to credit risk

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

	Maximum Exposure	
	2020	**2019**
	RM'000	**RM'000**
Credit exposure for on-balance sheet items		
Cash and short term funds	1,934,409	1,409,555
Financial assets at FVOCI	3,205,809	3,637,413
Financing and advances	12,667,911	11,467,252
Other advances	3,029	6,869
Other financial assets	146,252	141,945
	17,957,410	**16,663,034**
Credit exposure for off-balance sheet items		
Transaction related contingencies	51,870	47,092
Trade related contingencies	21,285	23,954
Financing commitments	914,231	941,574
	987,386	**1,012,620**
Total maximum credit risk exposure	**18,944,796**	**17,675,654**

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Credit quality of gross financing and advances

All financing, advances and other financing are categorised into 'neither past due nor impaired', 'past due but not impaired' and 'impaired'.

Past due financing refers to financing, advances and other financing that are overdue by one day or more.

Financing, advances and other financing are classified impaired when they fulfill any of the criteria as per disclosed in Note 3.2(d) Measurement of expected credit losses ("ECL").

Quality classification definitions

Where ECL model is applied, the credit quality of financial instruments subject to credit risk are assessed by reference to the internal rating system adopted by the Bank, as summarised below:

Financing and advances and financing commitments and financial guarantee

Rating classification	**Credit grades**
Performing	Stage 1
Under performing	Stage 2
Impaired	Stage 3

Other financial instruments

Rating classification	**External rating**	
	RAM	**MARC**
Investment grade		
Long Term Rating	A, AA, AAA	A, AA, AAA
Short Term Rating	P1, P2, P3	MARC-1, MARC-2, MARC-3
Non investment grade		
Long Term Rating	B, BB, BBB	B, BB, BBB
Short Term Rating	P4	MARC-4
Impaired	C/D, NP, D	C, SD, D

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Credit quality of gross financing and advances (cont'd)

Other financial instruments includes cash and short term funds, deposits and placement with bank and other FIs and debt instruments at FVOCI.

Credit quality description can be summarised as follows:
(i) Performing
(ii) Under performing
(iii) Investment Grade
(iv) Non-investment grade
(v) No rating
(vi) Impaired

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Credit risk in investment activities

The credit risk management approach for investment activities is primarily deliberated at the Board Credit and Investment Committee (“BCIVC”). In the case of investment portfolio, the setting of credit limits is done and regularly reviewed by Market Risk Management Department ("MRMD"), as the middle office for treasury operations. Various credit limits on investment exposures are proposed to the Management Risk Committee (“MRC”) for endorsement and escalated to BRMC or Board for approval. Report on compliance of various investment exposure limits are done by MRMD which is presented and deliberated at the Asset Liability Committee ("ALCO") on a monthly basis.

The Bank’s investment policy stipulates the minimum investment grade for debt securities, types of permissible transactions, exposure limits for single customer/counterparty, credit rating, industry/sector and risk level (high, medium, low). In addition, the Bank has also set interbank limits for placements of money in various financial institutions which are reviewed on a regular basis to mitigate concentration limits in its investment portfolio.

Investment portfolio concentration

The portfolio profile is as follows:

	RM'000	**Composition (%)**
Corporate sukuk	2,124,798	66
Government Investment Issues ("GII")	1,081,011	34
Carrying amount at 31 December 2020	**3,205,809**	**100**
Corporate sukuk	2,371,083	65
Government Investment Issues ("GII")	1,266,330	35
Carrying amount at 31 December 2019	**3,637,413**	**100**

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Credit risk in investment activities (cont'd)

Credit quality of investment securities

The following table presents the Bank's exposure to credit risk of financial instruments analysed by ratings from external credit rating agencies:

Ratings

	2020 RM'000	2019 RM'000
Corporate sukuk		
Financial assets at FVOCI		
Government-Guaranteed ("GG")	1,183,985	1,226,338
Quasi-Govt	52,495	76,698
AAA	633,611	753,040
AA	199,314	261,325
A	35,386	35,709
BBB	20,007	17,973
TOTAL	**2,124,798**	**2,371,083**

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Credit quality of financial assets - financial investments portfolio and other financial assets.

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
2020				
Cash and short term funds	1,934,409	-	-	1,934,409
Financial assets at FVOCI	3,205,809	-	-	3,205,809
Financing and advances	11,885,221	451,420	889,048	13,225,689
Other advances	1,674	358	4,332	6,364
	17,027,113	**451,778**	**893,380**	**18,372,271**
As a percentage of gross balance	**92.68%**	**2.46%**	**4.86%**	**100%**
2019				
Cash and short term funds	1,409,555	-	-	1,409,555
Financial assets at FVOCI	3,637,413	-	-	3,637,413
Financing and advances	11,059,516	262,633	511,789	11,833,938
Other advances	5,013	569	6,332	11,914
	16,111,497	**263,202**	**518,121**	**16,892,820**
As a percentage of gross balance	**95.37%**	**1.56%**	**3.07%**	**100%**

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk (cont'd)

(v) Measurement of credit risk (cont'd)

Analysis of ageing of financing and advances for past due but not impaired.

	Past due but not impaired			
	Past due within 30 days RM'000	**Past due within 31 to 60 days RM'000**	**Past due within 61 to 90 days RM'000**	**Total RM'000**
2020				
Financing and advances	182,619	112,857	155,944	451,420
Other advances	145	61	152	358
2019				
Financing and advances	134,625	78,105	49,903	262,633
Other advances	209	230	130	569

(vi) Macro-economic factors in credit risk

The macro-economic factor and their impacts are regularly monitor as part of the normal process of the Bank in tracking credit risk and measuring ECL, including the on-going COVID-19 development and impact.

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk

(i) Nature of liquidity risk

Liquidity risk relates to the ability of the Bank to maintain sufficient liquid assets to meet current and future financial commitments and obligations (anticipated or unanticipated) when they fall due without incurring unacceptable losses. Liquidity risk may arise when there is a mismatch between funding against lending/financing within predetermined time buckets. The mismatches may lead to the inability for the Bank to fulfil its contractual obligations when they fall due. As such, the Bank has to maintain a portion of liquid assets in terms of cash, cash equivalents and marketable securities to match respective maturity buckets.

(ii) Definition of liquidity risk

Liquidity risk is defined as the inability of the Bank to meet timely payment on any of its financial obligations to customers or counterparties when they fall due or the Bank is unable or cannot easily unwind or offset a particular position at/or near the previous market price because of inadequate market depth or because of disruptions in the market place caused by the change in market sentiment or due to a specific event or series of events.

(iii) Management of liquidity risk

The management of liquidity risk is governed by the Market and Liquidity Risk Management Framework ("MLRF") which sets out the risk management governance and infrastructure, risk management processes and control responsibilities.

The Board through BRMC approves all policies in relation to liquidity risk management which are regularly reviewed by MRMD ('Market Risk Management Department"). BRMC also oversees the effectiveness and compliance of those policies on a regular basis.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk (cont'd)

(iii) Management of liquidity risk (cont'd)

Senior management is responsible to monitor and oversee liquidity risk exposures through the ALCO using primary tools such as maturity mismatch analysis, funding gaps, maximum cumulative outflows and funding concentration ratios using internal as well as market wide information to address possible liquidity issues. ALCO oversees the Bank's financial position structure with regard to liquidity risk exposures and executes controls, within prudent limits and bucketing to manage risks arising from mismatches of maturities across the financial position structure, as well as from undrawn commitments and other contingent obligations. The day-to-day liquidity requirements and position is managed by Treasury Department ("TD") while MRMD, under Risk Management Division ("RMD") acts as Middle Office in monitoring and reporting liquidity risks to ALCO.

(iv) Measurement of liquidity risk

The liquidity risk management of the Bank is aligned with the New Liquidity Framework ("NLF") issued by BNM, and is measured and managed based on projected cash flows. In addition to ensuring compliance with the NLF, the Bank's maintains a liquidity compliance buffer to meet any unexpected cash outflows. The measurement of liquidity risk is done through financial position profiling using predetermined time buckets. The exposure limits for each bucket, in particular within a one year bond is closely monitored and analysed to ensure that the Bank has sufficient cash and liquefiable assets to meet contractual and behavioural maturities/commitments, and to determine the causes and ways to improve the gaps. The Bank maintains sufficient liquid assets (minimum 5% of total deposits) to meet contractual and behavioural maturities and commitments up to one week tenure. For up to one month bucket, the Bank maintains liquid assets of at least 7% of total deposits to meet contractual and behavioural maturities and commitments when they fall due.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk (cont'd)

(v) Contingency funding plan ("CFP")

The Bank has a Contingency Funding Plan ("CFP") in place to deal with liquidity crisis situations. The CFP enables Management to make timely and well-informed decisions in managing any liquidity crisis caused by the Bank's specific risk adverse positions as well as unfavourable market developments. The Bank sets out early warning indicators through various triggers, crisis escalation processes, a crisis management team and funding strategies to mitigate liquidity crisis situations. The CFP is tested and reviewed regularly to update the latest position and matters in relation to the liquidity risk profile of the Bank.

(vi) Stress testing on liquidity risk

As part of liquidity risk management, liquidity risk exposures are also measured through funding concentration, financing deposit ratios, cash and liquid asset ratios. Stress testing is conducted to quantify the worst case scenario of the liquidity position of the Bank based on deposit run-off, market crisis shock, capital erosion and negative publicity. The Bank emphasises the importance of low cost stable and retail deposits as the primary source of funds to finance its lending activities in addition to corporate and other high cost deposits.

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of assets and liabilities based on discounted contractual cash flows:

	<6 months RM'000	6 - 12 months RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	Non-specific maturity RM'000	Total RM'000
2020							
Assets							
Cash and short term funds	1,934,409	-	-	-	-	-	1,934,409
Financial assets at FVOCI	271,367	60,865	1,308,255	655,539	909,783	254	3,206,063
Financing and advances *	1,815,380	206,248	271,622	1,139,391	9,793,048	-	13,225,689
Other advances *	3,735	463	748	600	818	-	6,364
Other assets	34,411	38,019	61,538	14,977	4,653	4,040	157,638
Property, plant and equipment	-	-	-	-	-	147,254	147,254
Intangible assets	-	-	-	-	-	30,126	30,126
Right-of-use assets	-	-	-	-	-	41,163	41,163
Total assets	**4,059,302**	**305,595**	**1,642,163**	**1,810,507**	**10,708,302**	**222,837**	**18,748,706**

* Gross before allowance for impairment

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of assets and liabilities based on discounted contractual cash flows: (cont'd)

	<6 months RM'000	6 - 12 months RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	Non-specific maturity RM'000	Total RM'000
2020 (cont'd)							
Liabilities							
Deposit from customers	6,797,899	2,206,469	40,495	46,934	-	-	9,091,797
Deposit and placement of banks and other financial institutions	2,603,556	-	-	-	-	-	2,603,556
Other liabilities	66,493	1,934	12,558	1,388	1,996	14,063	98,432
Lease liabilities	533	573	16,208	10,408	5,369	-	33,091
Deferred tax liabilities	-	-	-	-	-	29,776	29,776
Financing scheme funds	129,953	140,896	476,346	480,413	1,214,275	-	2,441,883
Government grant	-	-	-	-	-	697,882	697,882
Total liabilities	**9,598,434**	**2,349,872**	**545,607**	**539,143**	**1,221,640**	**741,721**	**14,996,417**
Net maturity mismatch	**(5,539,132)**	**(2,044,277)**	**1,096,556**	**1,271,364**	**9,486,662**	**(518,884)**	**3,752,289**

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of assets and liabilities based on discounted contractual cash flows: (cont'd)

	<6 months RM'000	6 - 12 months RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	Non-specific maturity RM'000	Total RM'000
2019							
Assets							
Cash and short term funds	1,409,555	-	-	-	-	-	1,409,555
Financial assets at FVOCI	240,518	105,640	1,151,271	691,842	1,448,142	144	3,637,557
Financing and advances *	2,001,475	232,913	205,105	733,983	8,660,462	-	11,833,938
Other advances *	5,299	302	1,080	1,279	3,954	-	11,914
Other assets	64,812	31,820	42,575	2,738	-	6,095	148,040
Property, plant and equipment	-	-	-	-	-	142,446	142,446
Intangible assets	-	-	-	-	-	25,719	25,719
Right-of-use assets	-	-	-	-	-	49,797	49,797
Total assets	**3,721,659**	**370,675**	**1,400,031**	**1,429,842**	**10,112,558**	**224,201**	**17,258,966**

* Gross before allowance for impairment

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of assets and liabilities based on discounted contractual cash flows: (cont'd)

	<6 months RM'000	6 - 12 months RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	Non-specific maturity RM'000	Total RM'000
2019 (cont'd)							
Liabilities							
Deposit from customers	6,211,981	1,223,076	74,841	47,738	-	-	7,557,636
Deposit and placement of banks and other financial institutions	3,277,170	3,002	-	-	-	-	3,280,172
Other liabilities	118,386	21,363	11,415	1,376	1,857	8,457	162,854
Lease liabilities	4,459	4,459	17,837	13,379	-	-	40,134
Deferred tax liabilities	-	-	-	-	-	12,702	12,702
Financing scheme funds	101,455	100,150	409,817	371,981	989,917	-	1,973,320
Government grants	-	-	-	-	-	720,309	720,309
Total liabilities	**9,713,451**	**1,352,050**	**513,910**	**434,474**	**991,774**	**741,468**	**13,747,127**
Net maturity mismatch	**(5,991,792)**	**(981,375)**	**886,121**	**995,368**	**9,120,784**	**(517,267)**	**3,511,839**

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of financial liabilities based on undiscounted contractual cash flows:

	<6 months RM'000	6 - 12 months RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	Total RM'000
2020						
Liabilities						
Deposit from customers	6,939,295	2,252,364	43,075	52,022	-	9,286,756
Deposit and placement of banks and other financial institutions	2,671,248	-	-	-	-	2,671,248
Other financial liabilities	39,862	336	2,054	-	-	42,252
Lease liabilities	553	595	18,116	12,530	6,463	38,257
Financing scheme funds	130,209	141,402	485,079	496,038	1,270,986	2,523,714
Total liabilities	**9,781,167**	**2,394,697**	**548,324**	**560,590**	**1,277,449**	**14,562,227**
Transaction related contingencies	26,106	13,599	9,371	2,645	149	51,870
Trade related contingencies	21,285	-	-	-	-	21,285
Financing commitments	26,910	52,293	227,688	267,919	578,293	1,153,103
Commitment and Contingencies	**74,301**	**65,892**	**237,059**	**270,564**	**578,442**	**1,226,258**

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity Risk (cont'd)

Maturity analysis of financial liabilities based on undiscounted contractual cash flows: (cont'd)

	<6 months RM'000	6 - 12 months RM'000	1 - 3 years RM'000	3 - 5 years RM'000	>5 years RM'000	Total RM'000
2019 (cont'd)						
Liabilities						
Deposit from customers	6,371,629	1,254,509	80,761	54,196	-	7,761,095
Deposit and placement of banks and other financial institutions	3,391,543	3,107	-	-	-	3,394,650
Other financial liabilities	57,483	3,010	1,450	-	-	61,943
Lease liabilities	4,628	4,628	19,937	16,106	-	45,299
Financing scheme funds	101,694	100,625	416,953	384,349	1,025,209	2,028,830
Total liabilities	**9,926,977**	**1,365,879**	**519,101**	**454,651**	**1,025,209**	**13,291,817**
Transaction related contingencies	22,879	10,565	11,045	2,426	177	47,092
Trade related contingencies	23,954	-	-	-	-	23,954
Financing commitments	30,330	68,524	128,049	354,423	665,330	1,246,656
Commitment and Contingencies	**77,163**	**79,089**	**139,094**	**356,849**	**665,507**	**1,317,702**

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk

(i) Nature of market risk

Market risks arises from volatilities in profit rates, equity prices, commodity prices, credit spreads and foreign exchange rates which are inherent in the investment portfolio. The market risk exposure for the Bank relates to all financial assets and liabilities held for investment in the banking book as well as for trading purposes. As the Bank's investment portfolio focuses on profit rate bearing assets and liabilities, movements/changes in profit rates in the market may pose major and significant risk to the fair value of the investment portfolio of the Bank.

(ii) Definition of market risk

Market risk is defined as the risk of losses in On and Off Balance Sheet positions arising from unexpected movements in market prices due to volatility in profit rates, equity prices, commodity prices, foreign exchange rates and etc.

(iii) Management of market risk

The management of market risks, in particular the profit rate risk is governed by the MLRF which sets out the risk management governance and infrastructure, risk management processes and control responsibilities.

The Board through BRMC approves all policies in relation to market rate risks, in particular the profit rate risk management which are reviewed on a regular basis. BRMC also oversees the effectiveness and compliance of those policies as well as approve new and revised existing policies.

At senior management level, ALCO deliberates market risk management by executing decisions, business strategies and action plans within the policies and guidelines approved by BRMC or the Board.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(iii) Management of market risk (cont'd)

The daily management of the investment portfolio is executed by the TD. MRMD acts as the middle office for investment and treasury related activities by executing risk governance and risk assessments on a regular basis. MRMD also provides independent assessment on market risk in relation to investment activities, including recommendation for new acquisitions and evaluation on mark-to-market prices and yield curves on investment returns, in particular for the FVOCI portfolio. MRMD provides monthly report to ALCO and BRMC for investment portfolio governance including the compliance of limits approved by BRMC/Board.

For Bank-wide market risk management, MRMD monitors the profit rate risk sensitivity through the Profit Rate Sensitivity Gap ("PRG"), Earnings at Risk ("EAR") and Duration Weighted Gap ("DWG") regularly and presents reports to ALCO every month. MRMD also signs off new product proposal papers and documents (together with other risk management units) for new products by incorporating relevant assessments and advice on market (and liquidity risks) prior to escalation to higher levels for BNM's approval.

(iv) Measurement of profit rate risk

The measurement of the Bank's exposures to profit rate risk is done through the following:

- **Sensitivity analysis**

  Sensitivity analysis is used to determine how different values of an independent variable will impact a particular dependent variable under a given set of assumptions. This technique is used within specific boundaries that will depend on one or more input variables, such as the effect of changes in profit rates on bonds prices.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(iv) Measurement of profit rate risk (cont'd)

- **Profit rate gap ("PRG") analysis**

Gap analysis is conducted to determine the gap between the Risk Sensitive Assets ("RSAs") and Risk Sensitive Liabilities ("RSLs") in relation to their sensitivity to profit rate movements in the market for any given period of time. The RSAs and RSLs are classified into predetermined buckets based on respective repricing modes which are either contractual or behavioural in nature and in particular to the movements of the Overnight Policy Rate ("OPR") announced by BNM. The gap between RSAs and RSLs for each bucket represents the amounts and percentages of the PRG. For the measurement of PRG, the Bank takes the position of all buckets within one year sukuk and matches it against the predetermined limit to reflect sensitivity to the movement in the Net Profit Income ("NPI") and capital. The Bank establishes a limit of +/-10% on the PRG to effectively mitigate profit rate risk. The non sensitive assets or liabilities which lack definite repricing intervals are assigned to buckets according to relevant judgment and past experience of the Bank.

- **Duration weighted gap ("DWG") analysis**

DWG analysis utilises the time-weighted average maturity of the present value of the cash flows from assets, liabilities and off-balance sheet items. It measures the relative sensitivity of the value of these instruments to changes in profit rates (the average term to repricing), and therefore reflects how changes in profit rates will affect the Bank’s economic value, that is, the present value of equity. The Bank applies DWG to measure its capital and balance sheet sensitivity to the profit rate movements for all buckets as per PRG with the incorporation of predetermined weights.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market risk (cont'd)

(iv) Measurement of profit rate risk (cont'd)

- **Earnings at risk ("EaR") analysis**

  EaR analysis aims to quantify the impact on the projection of NPI in the event of an adverse change in prevailing profit rates for a period of 1 year, depending on profit rate sensitivity of the Bank (Asset Sensitive or Liability Sensitive). The Bank assumes a maximum 100 basis point rate movement as the worst case scenario.

- **Value at risk ("VaR") analysis**

  The Bank has in place the VaR model in measuring profit rate risk on its investment portfolio, despite not having a trading book portfolio. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The Bank adopted the Historical Simulation Approach for 250 days with 99% confidence level and predetermined VaR limit.

- **Stress test analysis/Scenario analysis**

  Stress testing/simulation analysis are done based on macro economic variables, particularly "yield rates on sukuk values ("Duration") and "beta ratio on equity" as well as possibility of sukuk downgrading impact. The stress testing/simulation analysis employs a range of simulated scenarios on the Bank’s investment portfolio to assess the impact on investment values, profitability and capital of the Bank.

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

(v) Profit Rate Risk

The following tables below indicate the effective profit rate at the reporting date and the Bank's sensitivity to profit rate by time band based on the earlier of contractual repricing date and maturity date.

	<6 months RM '000	6 - 12 months RM '000	1 - 3 years RM '000	3 - 5 years RM '000	>5 years RM '000	Non-profit sensitive RM '000	Total RM '000	Effective Profit Rate
2020								
Assets								
Cash and short term funds	1,610,383	-	-	-	-	324,026	1,934,409	1.81%
Financial assets at FVOCI	271,367	60,865	1,308,255	655,539	909,783	254	3,206,063	3.31%
Financing and advances*	10,829,713	29,954	207,917	331,657	937,400	889,048	13,225,689	5.56%
Other advances*	-	-	-	-	-	6,364	6,364	
Other assets	-	-	-	-	-	157,638	157,638	
Property, plant and equipment	-	-	-	-	-	147,254	147,254	
Intangible assets	-	-	-	-	-	30,126	30,126	
Right-of-use assets	-	-	-	-	-	41,163	41,163	
Total assets	**12,711,463**	**90,819**	**1,516,172**	**987,196**	**1,847,183**	**1,595,873**	**18,748,706**	

* Gross before allowance for impairment

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A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

(v) Profit Rate Risk (cont'd)

	<6 months RM '000	6 - 12 months RM '000	1 - 3 years RM '000	3 - 5 years RM '000	>5 years RM '000	Non-profit sensitive RM '000	Total RM '000	Effective Profit Rate
2020 (cont'd)								
Liabilities								
Deposits from customers	6,797,899	2,206,469	40,495	46,934	-	-	9,091,797	2.08%
Deposit and placement of banks and other financial institutions	2,603,556	-	-	-	-	-	2,603,556	2.60%
Other liabilities	-	-	-	-	-	98,432	98,432	
Lease liabilities	-	-	-	-	-	33,091	33,091	
Deferred tax liabilities	-	-	-	-	-	29,776	29,776	
Financing scheme funds	129,953	140,896	476,346	480,413	1,214,275	-	2,441,883	0.50%
Government grant	-	-	-	-	-	697,882	697,882	
Total liabilities	**9,531,408**	**2,347,365**	**516,841**	**527,347**	**1,214,275**	**859,181**	**14,996,417**	

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

(v) Profit Rate Risk (cont'd)

	<6 months RM '000	6 - 12 months RM '000	1 - 3 years RM '000	3 - 5 years RM '000	>5 years RM '000	Non-profit sensitive RM '000	Total RM '000	Effective Profit Rate
2019								
Assets								
Cash and short term funds	1,126,814	-	-	-	-	282,741	1,409,555	3.03%
Financial assets at FVOCI	240,518	105,640	1,151,271	691,842	1,448,142	144	3,637,557	3.75%
Financing and advances*	10,126,655	42,872	201,133	304,704	646,785	511,789	11,833,938	6.54%
Other advances*	-	-	-	-	-	11,914	11,914	
Other assets	-	-	-	-	-	148,040	148,040	
Property, plant and equipment	-	-	-	-	-	142,446	142,446	
Intangible assets	-	-	-	-	-	25,719	25,719	
Right-of-use assets	-	-	-	-	-	49,797	49,797	
Total assets	**11,493,987**	**148,512**	**1,352,404**	**996,546**	**2,094,927**	**1,172,590**	**17,258,966**	

* Gross before allowance for impairment

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

(v) Profit Rate Risk (cont'd)

	<6 months RM '000	6 - 12 months RM '000	1 - 3 years RM '000	3 - 5 years RM '000	>5 years RM '000	Non-profit sensitive RM '000	Total RM '000	Effective Profit Rate
2019 (cont'd)								
Liabilities								
Deposits from customers	6,211,981	1,223,076	74,841	47,738	-	-	7,557,636	2.57%
Deposit and placement of banks and other financial institutions	3,277,170	3,002	-	-	-	-	3,280,172	3.49%
Other liabilities	-	-	-	-	-	162,854	162,854	
Lease liabilities	-	-	-	-	-	40,134	40,134	
Deferred tax liabilities	-	-	-	-	-	12,702	12,702	
Financing scheme funds	101,455	100,150	409,817	371,981	989,917	-	1,973,320	0.58%
Government grants	-	-	-	-	-	720,309	720,309	
Total liabilities	**9,590,606**	**1,326,228**	**484,658**	**419,719**	**989,917**	**935,999**	**13,747,127**	

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36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(d) Market Risk (cont'd)

Profit rate sensitivity

The table below shows the impact of the Bank's profit before tax and equity to an up and down 100 basis point parallel rate shock:

	2020		2019	
	+100bp RM '000	-100bp RM '000	+100bp RM '000	-100bp RM '000
Impact on profit before tax and zakat	113,873	(113,873)	104,920	(104,920)
Impact on equity	(111,884)	102,058	(139,741)	149,132

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Operational risk

(i) Nature of operational risk

Operational risk is inherent in the Bank's business operations and associated with the Bank's involvement with financial instruments, other than credit, market and liquidity risks.

(ii) Definition of operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. This definition includes legal risk but excludes strategic and reputational risk.

(iii) Management of operational risk

The management of operational risk is governed by the Operational Risk Management Framework ("ORMF") which sets out the risk management governance and infrastructure, risk management processes and control responsibilities which is in line with the regulatory guidelines set by the Bank of International Settlements ("BIS"), Basel Accords and BNM.

The Board through BRMC approves all policies in relation to operational risk management which are reviewed on a regular basis. BRMC also oversees the effectiveness and compliance of those policies as well as approve new and revised policies.

Senior management takes the responsibility of managing the business risks, the ultimate responsibility for establishing and maintaining appropriate risk management processes, making risk management an integral part of the Bank's operations, aligning risk management to internal policies and procedures as well as ensuring that all risk based-limits are adhered to by the business divisions, departments and units.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Operational risk (cont'd)

(iv) Measurement of operational risk

- **Oversight structure and lines of defence**

The interplay between the risk owners at the business level, Risk Management Division ("RMD") and Internal Audit Department ("IAD") forms the framework for the Bank's "three lines of defence" in the managing of operational risks.

The first line of defence is the Business risk owners, who are responsible for the day-to-day operational risk management where Key Performance Indicators ("KPIs"), Key Risk Indicators ("KRIs") and Key Control Indicators ("KCIs"), Risk Maps, Key Risk Control Self-Assessment ("RCSA") and Incident Management and Data Collection ("IMDC") are in place and aligned to the business objectives.

RMD as the second line of defence is responsible for operational risk management oversight while IAD as the third line of defence is entrusted to perform independent assurance over the effectiveness of the operational risk management initiatives by RMD and the Business Units.

- **Risk management process**

Operational Risk Management ("ORM") refers to the end-to-end process that ensures operational risks are effectively managed from the time they are identified to the time the risks are mitigated within the risk appetite of the Bank. It is the responsibility of everyone at the Bank. This generic process is used to manage operational risks at all levels from units to Head office. The operational risk management process comprises 4 steps namely:

(i) Risk identification
(ii) Risk assessment
(iii) Managing and controlling risk
(iv) Monitoring and reporting risk

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(e) Operational risk (cont'd)

(iv) Measurement of operational risk (cont'd)

- **Reporting and communication guidelines**

In establishing a sound ORM at the Bank, the reporting and communication lines are extremely important. As operational risk is pervasive across the organisation and the range and type of incidents is broad, from fraud to product and system failures and from errors in the front office to the back office, it is important to share information at all levels. Information sharing should be through both formal reporting lines and face-to-face communication.

- **Culture**

Operational risk culture encompasses general awareness, attitude, behaviour of employees to the key operational risk causes such as people, process, systems and external events.

Adequate awareness and training in operational risk is to be given to the staff and their roles and responsibilities clearly defined. In addition, the performance management process encourages staff to perform and behave in a manner consistent with the Bank's operational risk management objectives. Adequate training is to be provided to the staff to ensure that they have acquired adequate level of knowledge and skill sets to perform their roles and responsibilities in operational risk management.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Capital management

Regulatory capital

BNM sets and monitors capital requirements for the Bank as a whole.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, perpetual sukuk (which are classified as innovative tier 1 securities), retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes qualifying subordinated liabilities, government grants and collective impairment allowances for non-impaired financing.

Various limits are applied to elements of the capital base. The amount of innovative tier 1 securities cannot exceed 15 percent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated financing capital may not exceed 50 percent of tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

The Bank’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business. The impact of the level of capital on shareholders’ return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. Management uses regulatory capital ratios in order to monitor its capital base, and these capital ratios remain the international standards for measuring capital adequacy. The Bank has developed a Capital Management Plan ("CMP") to facilitate effective management of capital and address potential impact from financing deterioration as well as to provide an adequate buffer to support business expansion.

The Bank has elected to apply the Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions for Development Financial Institutions ("DFI") as stated in Note 5(b) with the financial year ended 31 December 2020 as the Bank's first reporting period of the application.

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Capital management (cont'd)

Capital allocation

Capital allocation between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be varied to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is subject to review by the ALCO as appropriate.

Capital Adequacy

The capital adequacy ratio of the Bank as at the end of the reporting period is as follows:

	2020	2019
	%	%
Before deducting proposed dividend:		
Core capital ratio	**21.24**	22.66
Risk-weighted capital ratio	**24.45**	26.10
After deducting proposed dividend:		
Core capital ratio	**21.24**	22.44
Risk-weighted capital ratio	**24.44**	25.88

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Capital management (cont'd)

	2020 RM'000	2019 RM'000
Components of Tier I and Tier II capital		
Tier I capital		
Share capital	1,000,000	1,000,000
Statutory reserves	487,109	487,109
Retained earnings	1,530,734	1,532,866
ECL allowance [1]	59,905	-
Total Tier I capital	**3,077,748**	**3,019,975**
Tier II capital		
ECL allowance [1]	106,773	106,773
Regulatory reserve	34,951	34,951
Government Grants - Operating	22,757	23,008
Government Grants - Launching	2,082	2,491
Government Grants - Funds [2]	298,148	291,102
Total Tier II capital	**464,711**	**458,325**
Total capital base	**3,542,459**	**3,478,300**

[1] The eligible amount for Tier I and II capital is limited to only ECL on non-impaired financing and advances. In accordance to the Transitional Arrangements application, the Stage 1 and Stage 2 provisions of ECL incurred during the year are allowed to be added back to Tier 1 capital over a four year period from the financial year ended 31 December 2020.

[2] The Government Grants - Funds exclude those grants relating to the fair valuation of financing scheme funds at below market rate amounting to RM374.89 million (2019: 403.71 million).

36. FINANCIAL INSTRUMENTS (cont'd)

A. FINANCIAL RISK MANAGEMENT (cont'd)

(f) Capital management (cont'd)

The breakdown of risk-weighted assets in the various categories of risk-weights is as follows:

	Notional RM'000	Risk-weighted RM'000
0%	2,589,022	-
20%	1,925,681	385,136
50%	35,514	17,757
100%	13,637,376	13,637,376
Off balance sheet risk-weighted assets	-	448,076
Total risk-weighted assets at 31 December 2020	**18,187,593**	**14,488,345**
0%	2,775,408	-
20%	1,527,072	305,414
50%	32,271	16,136
100%	12,552,484	12,552,484
Off balance sheet risk-weighted assets	-	452,218
Total risk-weighted assets at 31 December 2019	**16,887,235**	**13,326,252**

36. FINANCIAL INSTRUMENTS (cont'd)

B. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount at which the financial assets could be exchanged or financial liabilities could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the best estimates of fair values as of the reporting period.

Fair value hierarchy

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets of identical assets or liabilities;

Level 2: Other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: Techniques which use inputs which have significant effect on the fair value that are not based on observable market data.

(i) Financial assets and financial liabilities carried at fair value

Set out below, is a comparison by the class of the fair value of the Bank's financial instruments:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets				
FVOCI	254	3,205,809	-	3,206,063
2019				
Financial assets				
FVOCI	144	3,637,413	-	3,637,557

36. FINANCIAL INSTRUMENTS (cont'd)

B. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

(ii) Financial assets and financial liabilities at carrying amount

	2020		2019	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Financing and advances	12,667,911	13,140,436	11,467,252	11,767,587
	12,667,911	**13,140,436**	**11,467,252**	**11,767,587**
Financial liabilities				
Deposits from customers	9,091,797	9,167,134	7,557,636	7,568,011
Deposit and placement of banks and other financial institutions	2,603,556	2,618,871	3,280,172	3,273,529
	11,695,353	**11,786,005**	**10,837,808**	**10,841,540**

The fair value of financing and advances, deposits from customers and deposit and placement of banks and other financial institutions are at Level 2 (2019: Level 2).

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(i) Financial assets at FVOCI

The fair values of private debt securities and Malaysian government investment issues are determined by reference to the market value of these instruments published by Bond Pricing Agency Malaysia ("BPAM").

The fair value of equities securities are determined based on quoted price from Bursa Malaysia Securities Berhad.

(ii) Financing and advances

For fixed-rate financing with maturities within a year, financing and advances at variable rates, the estimated fair values approximate their respective carrying values.

For fixed-rate financing with maturities more than a year, the fair values are estimated based on expected future cash flows of contractual instalments and discounted at prevailing rate at the end of the reporting period offered for similar financing to new customers with similar credit profiles, where applicable.

36. FINANCIAL INSTRUMENTS (cont'd)

B. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

(ii) Financial assets and financial liabilities at carrying amount (cont'd)

(iii) Deposits from customers

The fair values of deposits from customers with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on market rates for similar deposits from customers.

C. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

	Financial assets at FVOCI RM'000	**Financial assets and liabilities at amortised cost RM'000**	**Total RM'000**
2020			
Financial assets			
Cash and short term funds	-	1,934,409	1,934,409
Financial assets at FVOCI	3,206,063	-	3,206,063
Financing and advances	-	12,667,911	12,667,911
Other financial assets	-	146,252	146,252
	3,206,063	**14,748,572**	**17,954,635**
Financial liabilities			
Deposits from customers	-	9,091,797	9,091,797
Deposit and placement of banks and other financial institutions	-	2,603,556	2,603,556
Financing scheme funds	-	2,441,883	2,441,883
Other financial liabilities	-	28,266	28,266
	-	**14,165,502**	**14,165,502**

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36. FINANCIAL INSTRUMENTS (cont'd)

C. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (cont'd)

	Financial assets at FVOCI RM'000	Financial assets and liabilities at amortised cost RM'000	Total RM'000
2019			
Financial assets			
Cash and short term funds	-	1,409,555	1,409,555
Financial assets at FVOCI	3,637,557	-	3,637,557
Financing and advances	-	11,467,252	11,467,252
Other financial assets	-	141,945	141,945
	3,637,557	**13,018,752**	**16,656,309**
Financial liabilities			
Deposits from customers	-	7,557,636	7,557,636
Deposit and placement of banks and other financial institutions	-	3,280,172	3,280,172
Financing scheme funds	-	1,973,320	1,973,320
Other financial liabilities	-	48,682	48,682
	-	**12,859,810**	**12,859,810**

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37. SHARIAH NON COMPLIANT EVENT

(1) Nature of Non-Compliant ("SNC") Events

The Bank has put in place a sound Shariah governance framework to ensure strict adherence to Shariah requirements in its processes. A dedicated Shariah Committee ("SC") provides Shariah oversight on all material Shariah non-compliant risks across the Bank.

SNC event is a result of the Bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils and the Shariah Committee. Any transactions that are suspected to be Shariah non-compliant are reported to the Shariah Committee for their deliberation and conclusion as to whether any Shariah requirements have been breached.

For the financial year ended 31 December 2020, the nature of Shariah non-compliance deliberated by the Shariah Commitee was as follows:

Financing product

(i) Ar-Rahnu accounts exceeded their tenure and were under their old contracts.
(ii) Ta'widh amount after the maturity date was included in the financing outstanding balance (compounded calculation).
(iii) Financing approved to be found as non-compliance with Shariah.
(iv) Visibility of inter-conditionality clause elements in Asset Purchase Agreement (APA) for BBA financing accounts which is not in accordance with the BNM's Shariah Advisory Council resolution on Bai-Al Inah.

Deposit product

(i) Utilisation of deposit fund prior to Tawarruq execution.

During the financial year, there were five (5) (2019: 1) SNC events that have been resolved and reported to BNM. The financial impact related to non-shariah compliant income amounted to RM4,602 (2019: RM Nil), which has been transferred to the non-shariah fund accordingly for donation or charity as per Note 25(a)(i).