Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements
for the financial year ended 31 December 2020

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2020

Contents

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2020

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Islamic Bank Berhad ("CIMB Islamic" or "the Bank") for the financial year ended 31 December 2020.

Principal activities

The principal activities of the Bank during the financial year are Islamic banking and finance business and the provision of related financial services. The principal activities of the subsidiaries as set out in Note 13 to the Financial Statements, consist of Islamic nominees services. There was no significant change in the nature of these activities during the financial year.

Financial results

	The Group RM'000	The Bank RM'000
Profit after taxation and zakat	**493,460**	**493,669**

Dividend

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2019.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2020.

Reserves, provisions and allowances

There were no material transfers to or from reserves or provisions or allowances during the financial year other than those disclosed in the Financial Statements and notes to the Financial Statements.

Bad and doubtful financing

Before the Financial Statements of the Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for doubtful financing.

At the date of this Report, the Directors are not aware of any circumstances which would render the amounts written off for bad financing, or the amount of the allowance for doubtful financing in the Financial Statements of the Group and of the Bank, inadequate to any substantial extent.

Current assets

Before the Financial Statements of the Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to realise in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.

At the date of this Report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the Financial Statements of the Group and of the Bank misleading.

Valuation methods

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

Contingent and other liabilities

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

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

(b) any contingent liability of the Group or the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

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

Change of circumstances

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the Financial Statements of the Group and of the Bank, that would render any amount stated in the Financial Statements misleading.

Items of an unusual nature

In the opinion of the Directors:

(a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 50.1 to the Financial Statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Bank for the financial year in which this Report is made other than those disclosed in Note 50.2 to the Financial Statements.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2020 (Continued)

Directors

The Directors of the Bank who have held office during the financial year and during the period from the end of the financial year to the date of the Report are:

Dato' Mohamed Ross bin Mohd Din
Ahmed Baqar Rehman
Ho Yuet Mee
Jalalullail Othman
Ahmad Shahriman bin Mohd Shariff
Rosnah binti Dato' Kamarul Zaman (Retired on 18 January 2021)

In accordance with Article 88-89 of the Bank's Constitution, Mr. Ahmed Baqar Rehman and Ms. Ho Yuet Mee shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' interests in shares and share options

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, there are no beneficial interests of Directors who held office at the end of the financial year in the shares and share options of the immediate holding company, the ultimate holding company and the its related corporation during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 43 to the Financial Statements or the fixed salary as a full time employees of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects 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 body corporate other than Equity Ownership Plan ("EOP") of the ultimate holding company (shown in Note 46 to the Financial Statements).

Subsidiaries

(a) Details of subsidiaries

Details of subsidiaries are as set out in Note 13 to the Financial Statements.

(b) Subsidiaries' holding of shares in other related corporations

Details of subsidiaries' holding of shares in other related corporations are as set out in Note 13 to the Financial Statements.

Auditors' Remuneration

Details of auditors' remuneration are as set out in Note 42 to the Financial Statements.

Directors' Report for the financial year ended 31 December 2020 (Continued)

2020 Business Plan and Strategy

2020 was a challenging year for the banking industry underpinned by a slower domestic and global economy, a weakened Ringgit, intensified competition and margin pressure from lower profit rates. The challenging environment is exacerbated by the The Novel Coronavirus ("COVID-19") pandemic resulting in lock-downs and movement control restrictions that has further impacted business momentum. In 2020, the Bank placed additional emphasis on risk management and ensuring the safety and well-being of our customers and staff while we continue to serve our customers and minimise business disruptions.

We rolled out various financing relief programmes such as financing moratorium and R&R programmes to support our customers impacted by the pandemic. We proactively developed and adapted corresponding shariah-compliant financing moratorium relief packages based on the general moratorium guidance given. Enhanced credit risk management actions were implemented for impacted sectors and ensuring collection activities remain robust.

Our continuous focus on innovation providently enabled the Bank to provide an industry-wide liquidity solution by introducing Islamic Collateralised Commodity Murabahah, the first bank to do so in Malaysia. This industry solution helps enable the Islamic banking industry to raise short-team liquidity, which is timely given the current economic crisis. The Bank also continued to promote its digital banking services. Cost discipline remained an integral focal point as the Bank emphasized cost optimisation with various initiatives across segments and divisions.

The Bank's performance for the year recorded 12% and 6% growth in customer funding and financing respectively.

Outlook for 2021

We expect a meaningful economic recovery in 2021 on the back of the positive developments of the COVID-19 vaccines and the various stimulus measures undertaken by respective governments. Nevertheless, the Bank is maintaining a cautious outlook given the uncertainties arising from the economic headwinds brought about by the resurgent COVID-19 pandemic. The Bank's focus will be on executing our Forward 23+ strategies, which entails reshaping our portfolio, investments in our core growth segments, maintaining stringent cost control and strong risk management as well as undertaking digital transformation. Accordingly, the Bank expects a better financial performance in 2021 driven by revenue growth and improved provisions.

The Bank will continue to support impacted segments, while driving sustainable growth through Current Account and Savings Account ("CASA") accumulation, Risk-adjusted return on capital ("RAROC") optimisation and non-financing income. The Bank will continue looking for opportunities to integrate value based intermediation (VBI) into our business strategies, to better drive business decisions based on true costs and benefits to business and our stakeholders, particularly with respect to social impact and social finance via micro-entrepreneur programmes that empower underserved communities to gain access to financial services and solutions.

Directors' Report for the financial year ended 31 December 2020 (Continued)

Rating by External Rating Agencies

Details of the ratings of the Bank and its debt securities are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Malaysian Rating Corporation Berhad ("MARC")	August 2020	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 billion senior Sukuk Wakalah Programme 4. RM5.0 billion Tier 2 Junior Sukuk Programme (Proposed Junior Sukuk)	AAA MARC-1 AAA_{IS} $AA+_{IS}$	Stable
RAM Rating Services Berhad ("RAM")	August 2020	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 billion Senior Sukuk Wakalah Programme	AAA P1 AAA	Stable
Moody's Investors Service ("Moody's")	February 2021	1. Long-term Foreign Currency Bank Deposits Rating 2. Short-term Foreign Currency Bank Deposits Rating 3. Long-term Domestic Currency Bank Deposits Rating 4. Short-term Domestic Currency Bank Deposits Rating	A3 P-2 A3 P-2	Stable

Board Shariah Committee

Pursuant to the enterprise wide Shariah Governance Framework as provided by Bank Negara Malaysia in its Policy Document on Shariah Governance for Islamic Financial Institutions and the Islamic Financial Services Act, 2013, the Board of Directors ("the Board'') is ultimately responsible and accountable for the oversight and management of Shariah matters in the Bank's operation as well as the operations of its subsidiaries that it has management control. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group as established under the Bank.

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the Bank and its subsidiaries that it has management control. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

All decisions by the Board on Shariah matters relating to its business shall be made based on the decisions, views and opinions of the Board Shariah Committee.

In having due regard to the decisions and advice of the Board Shariah Committee on Shariah matters, the Board shall give sufficient attention to the facts and basis for the Shariah decisions as well as providing fair consideration to the implications of implementing the Shariah decisions made by the Board Shariah Committee.

Any decision of the Board on Shariah matter shall be made based on the final decisions, views and opinions of the Board Shariah Committee. All decisions of the Board and the Board Shariah Committee on Shariah matters shall at all times be subordinated to the decision of the Shariah Advisory Council of the relevant Malaysian financial regulators and shall take into consideration the relevant authority on Shariah matters in the relevant jurisdiction it is doing business.

The Board Shariah Committee shall at all times assist the Board to ensure that the Group's Islamic banking and finance business does not have elements/activities which are not permissible under Shariah.

The members of the Board Shariah Committee are as follows:

1. Dr. Shafaai bin Musa
2. Professor Dr. Yousef Abdullah Al Shubaily
3. Associate Professor Dr. Aishath Muneeza
4. Ahmed Baqar Rehman
5. Dr. Ahmad Sufian Che Abdullah
6. Associate Professor Dr. Mohamed Fairooz Abdul Khir (Appointed on 16 August 2020)
7. Dr. Nedham Yaqoobi (Contract of appointment ended on 13 June 2020)

Directors' Report
for the financial year ended 31 December 2020 (Continued)

Board Shariah Committee (Continued)

The Board hereby affirms based on advice of the Board Shariah Committee that the operation of the Bank and its subsidiaries that it has management control has been done in a manner that does not contradict with Shariah save and except for those that have been specifically disclosed in this financial report (if any). This affirmation by the Board is independently verified and confirmed by the Board Shariah Committee in a separate Board Shariah Committee Report made herein.

Zakat obligations

The Bank pays business zakat by adopting the Adjusted Growth Method in line with the methodology approved by the Board Shariah Committee. However, the amount payable by the Bank is at the discretion of the Management and it is the shareholder's responsibility to ensure that their own zakat obligations are fulfilled in relation to their ownership of the share.

The obligation and responsibility for specific payment of zakat on depositors fund lies with its Muslim customers only. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Bank and its subsidiaries arising from changes to local legislation, regulation, law or market convention as the case may be. Accrual of zakat expenses (if any) in the Financial Statement of the Bank is reflective of this.

Significant event during the financial year

Significant event during the financial year is disclosed in Note 50.1 to the Financial Statements.

Subsequent event after the financial year

Significant event after the financial year is disclosed in Note 50.2 to the Financial Statements.

Directors' Report for the financial year ended 31 December 2020 (Continued)

Statement of Directors' Responsibility

In preparing the Financial Statements, the Directors have ensured that the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the Financial Statements of the Group and the Bank present a true and fair view of the financial position of the Group and the Bank as at 31 December 2020 and financial performance of the Group and the Bank for the financial year ended 31 December 2020.

The Financial Statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the Financial Statements with reasonable accuracy.

The Directors have also overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Bank and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group and the Bank manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 13 of the Financial Statements.

Ultimate holding company

The Directors regard CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

Statement of Directors' Responsibility (Continued)

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 10 March 2021.

Signed on behalf of the Board of Directors

Dato' Mohamed Ross bin Mohd Din
Director

Ahmad Shahriman bin Mohd Shariff
Director

Kuala Lumpur
10 March 2021

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

We, Dato' Mohamed Ross bin Mohd Din and Ahmad Shahriman bin Mohd Shariff, being two of the Directors of CIMB Islamic Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 23 to 269 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020 and financial performance of the Group and of the Bank for the financial year ended 31 December 2020, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution.

Dato' Mohamed Ross bin Mohd Din
Director

Ahmad Shahriman bin Mohd Shariff
Director

Kuala Lumpur
10 March 2021

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Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

I, Wong Siew Fern, being the person primarily responsible for the financial management of CIMB Islamic Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 23 to 269 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Wong Siew Fern

Subscribed and solemnly declared by the above named Wong Siew Fern at Kuala Lumpur before me, on 10 March 2021.

Commissioner for Oaths

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

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report

In the name of Allah, the Most Beneficent, the Most Merciful.

We, the members of the CIMB Group Board Shariah Committee as established under the Bank, are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Bank. Although the Board is ultimately responsible and accountable for all Shariah matters under the Bank, the Board relies on our independent advice on the same.

Our main responsibility and accountability is to assist the Board in ensuring that the Bank's business does not have elements/activities which are not permissible under Shariah. In undertaking our duties we shall follow and adhere to the decisions, views and opinions of the Shariah Advisory Council of the relevant Malaysian financial regulators for businesses undertaken in Malaysia and for businesses outside Malaysia we shall take into consideration the decisions, views and opinions of the relevant authority on Shariah matters (if any, sanctioned by law/regulation to be followed by the Bank) in the relevant jurisdiction that the Bank is doing business.

As members of the Board Shariah Committee, we are responsible to provide an independent assessment and confirmation in this financial report that the operations of the Bank has been done in conformity with Shariah as has been decided and opined by us and with those Notices, Rules, Standards, Guidelines and Frameworks on Shariah matters as announced and implemented by Malaysian regulators and where relevant by the financial regulators in the relevant jurisdictions that the Bank's businesses were undertaken during the period being reported.

Our independent assessment and confirmation has been used as the basis for the Board's affirmation of the same in the Director's Report herein before.

In making our independent assessment and confirmation, we have always recognised the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the Shariah compliant status of its businesses.

Board Shariah Committee's Report (Continued)

In this regard sufficient internal controls are in place to ensure that any new Islamic financial transaction is properly authorised; the Bank's assets and liabilities under its statements of financial position are safeguarded against possible Shariah non-compliance; and that the day to day conduct of its operations does not contradict Shariah principles.

In addition to the necessary policies and procedures the Bank has a well-defined division of responsibility and guidelines of business conduct to all staff.

Effective Shariah governance is supported by proffessional staff of Shariah researchers as well as the advisory and consultancy function that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management. CIMB Group Shariah Review Policy and Procedures were established to set out policies for Shariah review function encompassing regular examination and evaluation of the Bank's level of compliance to the Shariah requirements, remedial rectification measures to resolve non-compliances and control mechanisms to avoid recurrences. In addition, the Shariah Review Procedures sets out the procedures for Shariah review execution, responsibilities of stakeholders and internal reporting process relating to Shariah non-compliance events, in line with BNM's requirements.

In ensuring that the activities and operations of CIMB Group are Shariah-compliant, Shariah Review conducts post review of CIMB Group's activities and operations in accordance with the annual Shariah review work plan approved by us and the respective Boards of Directors of CIMB Group. Additionally, Shariah Review conducts investigations on issues escalated by the stakeholders and performs ad-hoc review as required from time to time by us and the regulators. As for effective risk management and control, the Group adopted the strategic implementation of tiered model i.e. Three Lines of Risk Defense in governing and managing Shariah Non-Compliant risk. Lastly, there is also a team of internal auditors who conduct periodic Shariah audits of all the Bank's operations on a scheduled and periodic basis.

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us, and nothing has come to the Board Shariah Committee's attention that causes the Shariah committee to believe that the operations, business, affairs and activities of the IFI involve any material Shariah non-compliances except for the following incident of a non-material Shariah non-compliance event within the Bank:

(i) Absence of historical hibah rate that serves as basis for hibah payment for SME Smart Deposit Campaign.

Board Shariah Committee's Report (Continued)

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2020 that were presented to us were done in compliance with Shariah;

2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah;

3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes; and

4. The zakat calculation is in compliance with Shariah principles.

We have assessed the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted by the Bank. We are satisfied that the Management has planned and performed the necessary review and audit so as to obtain all the information and explanations which are considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Shariah.

Board Shariah Committee's Report (Continued)

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the financial year ended 31 December 2020 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee.

Dr. Shafaai bin Musa
Chairman

Associate Professor Dr. Aishath Muneeza
Member

Kuala Lumpur
10 March 2021

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
(Company No. 200401032872 (671380-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and 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 23 to 269.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 200401032872 (671380-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Board Shariah Committee's Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 200401032872 (671380-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 200401032872 (671380-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (Continued)

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

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditor, is disclosed in Note 13 to the financial statements.

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.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT	NG YEE LING
LLP0014401-LCA & AF 1146	03032/01/2023 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
10 March 2021

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2020

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
Assets					
Cash and short-term funds	2	**12,577,466**	7,732,050	**12,577,420**	7,732,004
Deposits and placements with banks and other financial institutions	3	**50,046**	-	**50,046**	-
Financial investments at fair value through profit or loss	4	**5,034,429**	5,049,032	**5,034,429**	5,049,032
Debt instruments at fair value through other comprehensive income	5	**3,670,899**	3,616,346	**3,670,899**	3,616,346
Debt instruments at amortised cost	6	**8,501,654**	8,082,696	**8,501,654**	8,082,696
Islamic derivative financial instruments	23(a)	**522,847**	473,486	**522,847**	473,486
Financing, advances and other financing/loans	7	**84,916,816**	79,014,254	**84,916,816**	79,014,254
Other assets	8	**412,506**	307,495	**573,186**	307,495
Tax recoverable		**3,007**	-	**3,007**	-
Deferred taxation	9	**85,777**	22,151	**85,777**	22,151
Amounts due from holding company and ultimate holding company	10	**311,109**	1	**311,109**	1
Amounts due from related companies	11	**167**	783	**167**	783
Statutory deposits with Bank Negara Malaysia	12	**-**	2,058,109	**-**	2,058,109
Investment in subsidiaries	13	**-**	-	**11**	11
Property, plant and equipment	14	**1,348**	3,519	**1,348**	3,519
Right-of-use assets	15	**2,220**	2,775	**2,220**	2,775
Intangible assets	16	**56,112**	64,507	**56,112**	64,507
Goodwill	17	**136,000**	136,000	**136,000**	136,000
Total assets		**116,282,403**	106,563,204	**116,443,048**	106,563,169
Liabilities					
Deposits from customers	18	**96,302,909**	85,232,327	**96,649,535**	85,582,423
Investment accounts of customers	19	**2,678,870**	3,448,964	**2,678,870**	3,448,964
Deposits and placements of banks and other financial institutions	20	**2,799,014**	2,280,870	**2,799,014**	2,280,870
Collateralised Commodity Murabahah		**299,236**	-	**299,236**	-
Investment accounts due to designated financial institutions	21	**4,751,241**	5,021,974	**4,751,241**	5,021,974
Financial liabilities designated at fair value through profit or loss	22	**71,610**	95,499	**71,610**	95,499
Islamic derivative financial instruments	23(a)	**557,847**	489,685	**557,847**	489,685
Amounts due to holding company	10	**-**	38,859	**-**	38,859
Amounts due to related companies	11	**8,643**	11,241	**8,643**	11,241
Other liabilities	24	**470,405**	666,742	**469,317**	581,780
Lease liabilities	25	**2,365**	2,854	**2,365**	2,854
Provision for taxation and zakat		**3,000**	48,508	**3,000**	48,508
Recourse obligation on loans and financing sold to Cagamas	26	**-**	1,510,390	**-**	1,510,390
Sukuk	27	**186,155**	266,222	**-**	-
Subordinated Sukuk	28	**1,118,336**	1,118,255	**1,118,336**	1,118,255
Total liabilities		**109,249,631**	100,232,390	**109,409,014**	100,231,302

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2020 (Continued)

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
Capital and reserves attributable to equity holder of the Bank					
Perpetual preference shares	29	**420,000**	220,000	**420,000**	220,000
Ordinary share capital	30	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves	31	**5,612,772**	5,110,814	**5,614,034**	5,111,867
Total equity		**7,032,772**	6,330,814	**7,034,034**	6,331,867
Total equity and liabilities		**116,282,403**	106,563,204	**116,443,048**	106,563,169
Restricted Agency Investment Account (*)	32	**8,730,980**	6,231,742	**8,730,980**	6,231,742
Total Islamic Banking asset		**125,013,383**	112,794,946	**125,174,028**	112,794,911
Commitments and contingencies	23(b)	**51,459,641**	54,188,461	**51,459,641**	54,188,461
Net assets per ordinary share attributable to owners of the Parent (RM)		**6.61**	6.11	**6.61**	6.11

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

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Statements of Income
for the financial year ended 31 December 2020

		The Group		The Bank	
		2020	2019	**2020**	2019
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Income derived from investment of depositors' funds and others	33	**3,904,300**	4,188,928	**3,904,300**	4,188,928
Income derived from investment of investment account	34	**365,292**	415,670	**365,292**	415,670
Income derived from investment of shareholder's funds	35	**368,933**	449,804	**369,756**	451,621
Modification loss	36	**(185,804)**	-	**(185,804)**	-
Expected credit losses on financing, advances and other financing/loans	37	**(580,462)**	(49,272)	**(580,462)**	- (49,272)
Expected credit losses (made)/written back for commitments and contingencies	24	**(30,932)**	19,792	**(30,932)**	19,792
Other expected credit losses written back/(made)	38	**161**	(721)	**161**	(721)
Total distributable income		**3,841,488**	5,024,201	**3,842,311**	5,026,018
Income attributable to depositors and others	39	**(2,078,364)**	(2,643,481)	**(2,079,120)**	(2,645,254)
Profit distributed to investment account holder	40	**(219,351)**	(307,968)	**(219,351)**	(307,968)
Total net income		**1,543,773**	2,072,752	**1,543,840**	2,072,796
Personnel costs	41	**(20,941)**	(29,622)	**(20,941)**	(29,622)
Other overheads and expenditures	42	**(890,181)**	(930,699)	**(890,039)**	(930,556)
Profit before taxation and zakat		**632,651**	1,112,431	**632,860**	1,112,618
Taxation and zakat	44	**(139,191)**	(324,421)	**(139,191)**	(324,421)
Profit after taxation and zakat		**493,460**	788,010	**493,669**	788,197
Earnings per share (sen)					
- Basic / Diluted	45	**49.35**	78.80	**49.37**	78.82

Statements of Comprehensive Income
for the financial year ended 31 December 2020

	The Group		The Bank	
	2020	2019	**2020**	2019
	RM'000	RM'000	**RM'000**	RM'000
Profit for the financial year	**493,460**	788,010	**493,669**	788,197
Other comprehensive income/(expense):				
Items that will not reclassified to profit or loss				
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	**31**	(31)	**31**	(31)
Items that may be reclassified subsequently to profit or loss				
Debt instruments at fair value through other comprehensive income	**8,473**	28,090	**8,473**	28,090
- Net gain from change in fair value	**101,247**	127,424	**101,247**	127,424
- Realised gain transferred to statement of income on disposal	**(90,185)**	(91,425)	**(90,185)**	(91,425)
- Changes in expected credit losses	**66**	731	**66**	731
- Income tax effects	**(2,655)**	(8,640)	**(2,655)**	(8,640)
Total comprehensive income for the financial year	**501,964**	816,069	**502,173**	816,256

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2020

Attributable to owners of the Parents

The Group

	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2020	1,000,000	22,839	(2,457)	458	513,533	(31)	1,231	4,575,241	6,110,814	220,000	6,330,814
Profit for the financial year	-	-	-	-	-	-	-	493,460	493,460	-	493,460
Other comprehensive income (net of tax)	-	8,473	-	-	-	31	-	-	8,504	-	8,504
- debt instruments at fair value through other comprehensive income	-	8,473	-	-	-	-	-	-	8,473	-	8,473
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve	-	-	-	-	-	31	-	-	31	-	31
Total comprehensive income for the financial year	-	8,473	-	-	-	31	-	493,460	501,964	-	501,964
Issue of shares due to capital injection	-	-	-	-	-	-	-	-	-	200,000	200,000
Share-based payment expense	-	-	-	-	-	-	1,336	-	1,336	-	1,336
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(1,342)	-	(1,342)	-	(1,342)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	(6)	-	(6)	200,000	199,994
Transfer from regulatory reserve	-	-	-	-	(300,501)	-	-	300,501	-	-	-
As at 31 December 2020	1,000,000	31,312	(2,457)	458	213,032	-	1,225	5,369,202	6,612,772	420,000	7,032,772

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2020 (Continued)

Attributable to owners of the Parents

The Group

	Ordinary share capital RM'000	Fair value reserve-debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2019	1,000,000	(5,251)	(2,457)	458	404,378	-	962	3,896,386	5,294,476	220,000	5,514,476
Profit for the financial year	-	-	-	-	-	-	-	788,010	788,010	-	788,010
Other comprehensive income/(expense) (net of tax)	-	28,090	-	-	-	(31)	-	-	28,059	-	28,059
- debt instruments at fair value through other comprehensive income	-	28,090	-	-	-	-	-	-	28,090	-	28,090
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve	-	-	-	-	-	(31)	-	-	(31)	-	(31)
Total comprehensive income/(expense) for the financial year	-	28,090	-	-	-	(31)	-	788,010	816,069	-	816,069
Share-based payment expense	-	-	-	-	-	-	1,272	-	1,272	-	1,272
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(1,003)	-	(1,003)	-	(1,003)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	269	-	269	-	269
Transfer to regulatory reserve	-	-	-	-	109,155	-	-	(109,155)	-	-	-
As at 31 December 2019	1,000,000	22,839	(2,457)	458	513,533	(31)	1,231	4,575,241	6,110,814	220,000	6,330,814

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity for the financial year ended 31 December 2020 (Continued)

The Bank

	Non-distributable							Distributable			
	Ordinary share capital RM'000	Fair value reserve-debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2020	1,000,000	22,839	(2,457)	458	513,533	(31)	1,231	4,576,294	6,111,867	220,000	6,331,867
Profit for the financial year	-	-	-	-	-	-	-	493,669	493,669	-	493,669
Other comprehensive income (net of tax)	-	8,473	-	-	-	31	-	-	8,504	-	8,504
- debt instruments at fair value through other comprehensive income	-	8,473	-	-	-	-	-	-	8,473	-	8,473
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve	-	-	-	-	-	31	-	-	31	-	31
Total comprehensive income for the financial year	-	8,473	-	-	-	31	-	493,669	502,173	-	502,173
Issue of shares due to capital injection	-	-	-	-	-	-	-	-	-	200,000	200,000
Share-based payment expense	-	-	-	-	-	-	1,336	-	1,336	-	1,336
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(1,342)	-	(1,342)	-	(1,342)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	(6)	-	(6)	200,000	199,994
Transfer from regulatory reserve	-	-	-	-	(300,501)	-	-	300,501	-	-	-
As at 31 December 2020	1,000,000	31,312	(2,457)	458	213,032	-	1,225	5,370,464	6,614,034	420,000	7,034,034

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2020 (Continued)

The Bank

	← Non-distributable					→		Distributable			
	Ordinary share capital RM'000	Fair value reserve-debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2019	1,000,000	(5,251)	(2,457)	458	404,378	-	962	3,897,252	5,295,342	220,000	5,515,342
Profit for the financial year	-	-	-	-	-	-	-	788,197	788,197	-	788,197
Other comprehensive income/(expense) (net of tax)	-	28,090	-	-	-	(31)	-	-	28,059	-	28,059
- debt instruments at fair value through other comprehensive income	-	28,090	-	-	-	-	-	-	28,090	-	28,090
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve	-	-	-	-	-	(31)	-	-	(31)	-	(31)
Total comprehensive income/(expense) for the financial year	-	28,090	-	-	-	(31)	-	788,197	816,256	-	816,256
Share-based payment expense	-	-	-	-	-	-	1,272	-	1,272	-	1,272
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(1,003)	-	(1,003)	-	(1,003)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	269	-	269	-	269
Transfer to regulatory reserve	-	-	-	-	109,155	-	-	(109,155)	-	-	-
As at 31 December 2019	1,000,000	22,839	(2,457)	458	513,533	(31)	1,231	4,576,294	6,111,867	220,000	6,331,867

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Cash Flows for the financial year ended 31 December 2020

	The Group		The Bank	
	2020	2019	**2020**	2019
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**632,651**	1,112,431	**632,860**	1,112,618
Adjustments for:				
Depreciation of property, plant and equipment	**1,454**	2,512	**1,454**	2,512
Depreciation of right-of-use assets	**555**	566	**555**	566
Amortisation of intangible assets	**8,549**	8,887	**8,549**	8,887
Profit income from debt instruments at fair value through other comprehensive income	**(144,965)**	(141,659)	**(144,965)**	(141,659)
Profit income from debt instruments at amortised cost	**(340,351)**	(313,820)	**(340,351)**	(313,820)
Profit expense on lease liabilities	**102**	124	**102**	124
Profit expense on Sukuk	**7,782**	10,710	**-**	-
Profit expense on subordinated Sukuk	**44,678**	35,409	**44,678**	35,409
Profit expense on recourse obligation on loans and financing sold to Cagamas	**47,369**	69,188	**47,369**	69,188
Gain from disposal of debt instruments at fair value through other comprehensive income	**(90,186)**	(91,425)	**(90,186)**	(91,425)
Property, plant and equipment written off	**2,490**	-	**2,490**	-
Intangible asset written off	**42**	114	**42**	114
Net (gain)/loss from hedging derivatives	**(565)**	2,162	**(565)**	2,162
Unrealised (gain)/loss on foreign exchange	**(68,159)**	3,512	**(68,159)**	3,512
Unrealised gain from revaluation of financial assets designated at fair value through profit or loss	**(3,612)**	(731)	**(3,612)**	(731)
Unrealised (losses)/gain arising from financial liabilities designated at fair value through profit and loss	**2,426**	(1,840)	**2,426**	(1,840)
Unrealised loss from revaluation of Islamic derivative financial instruments	**33,249**	15,685	**33,249**	15,685
Accretion of discount less amortisation of premium	**(56,271)**	(92,577)	**(56,271)**	(92,577)
Expected credit losses on financing, advances and other financing/loans	**629,274**	102,188	**629,274**	102,188
Other expected credit lossess and impairment allowances (written back)/made	**(161)**	721	**(161)**	721
Expected credit losses made/(written back) for commitments and contingencies	**30,932**	(19,792)	**30,932**	(19,792)
Share-based payment expense	**1,336**	1,272	**1,336**	1,272
Modification loss	**185,804**	-	**185,804**	-
	924,423	703,637	**916,850**	693,114
(Increase)/Decrease in operating assets				
Financing, advances and other financing/loans	**(6,722,879)**	(8,521,373)	**(6,722,879)**	(8,521,373)
Other assets	**(106,337)**	415,077	**(267,017)**	415,077
Statutory deposits with Bank Negara Malaysia	**2,058,109**	18,313	**2,058,109**	18,313
Deposits and placements with banks and other financial institutions	**-**	483,871	**-**	483,871
Financial assets at fair value through profit or loss	**99,416**	(2,022,633)	**99,416**	(2,022,633)
Amounts due from holding company and ultimate holding company	**(311,108)**	90,730	**(311,108)**	90,730
Amounts due from related companies	**616**	(163)	**616**	(163)
Increase/(Decrease) in operating liabilities				
Deposits from customers	**11,070,582**	9,300,771	**11,067,112**	9,365,679
Investment accounts of customers	**(770,094)**	1,679,694	**(770,094)**	1,679,694
Deposits and placements from banks and other financial institutions	**518,144**	197,290	**518,144**	197,290
Collateralised Commodity Murabahah	**299,236**	-	**299,236**	-
Investment accounts due to designated financial institutions	**(270,733)**	(3,194,835)	**(270,733)**	(3,194,835)
Financial liabilities designated at fair value through profit and loss	**(26,284)**	75,390	**(26,284)**	75,390
Islamic derivative financial instruments	**(8,644)**	(12,581)	**(8,644)**	(12,581)
Amount due to holding company	**(38,859)**	38,859	**(38,859)**	38,859
Amount due to related companies	**(2,598)**	11,191	**(2,598)**	11,191
Other liabilities	**(159,109)**	289,895	**(75,235)**	132,757
	6,553,881	(446,867)	**6,466,032**	(549,620)
Taxation and zakat paid	**(253,987)**	(324,900)	**(253,987)**	(324,900)
Net cash flows generated from/(used in) operating activities	**6,299,894**	(771,767)	**6,212,045**	(874,520)

Statements of Cash Flows for the financial year ended 31 December 2020 (Continued)

	Note	The Group 2020 RM'000	The Group 2019 RM'000	The Bank 2020 RM'000	The Bank 2019 RM'000
Cash flows from investing activities					
Net purchase of debt instruments at amortised cost		**(423,174)**	(1,526,301)	**(423,174)**	(1,526,301)
Net proceeds/(purchase) of debt instruments at fair value through other comprehensive income		**29,448**	(729,826)	**29,448**	(729,826)
Net proceeds from sale of equity instruments at fair value through other comprehensive income		**-**	26	**-**	26
Profit income received from purchase of debt instruments at fair value through other comprehensive income		**146,012**	136,492	**146,012**	136,492
Profit income received from debt instruments at amortised cost		**336,047**	297,382	**336,047**	297,382
Purchase of property, plant and equipment		**(1,773)**	(3,275)	**(1,773)**	(3,275)
Purchase of intangible assets		**(196)**	(1,972)	**(196)**	(1,972)
Right-of-use assets		**-**	(3)	**-**	(3)
Net cash flows used in from investing activities		**86,364**	(1,827,477)	**86,364**	(1,827,477)
Cash flows from financing activities					
Profit expense paid on subordinated Sukuk		**(44,597)**	(32,187)	**(44,597)**	(32,187)
Proceeds from issuance of subordinated Sukuk		**-**	800,000	**-**	800,000
Redemption of subordinated Sukuk		**-**	(300,000)	**-**	(300,000)
Profit expense paid on Sukuk		**(7,849)**	(10,753)	**-**	-
Redemption of Sukuk		**(80,000)**	(92,000)	**-**	-
Proceeds from issuance of preference shares		**200,000**	-	**200,000**	-
Repayment of lease liabilities		**(591)**	(607)	**(591)**	(607)
Profit expense paid on recourse obligation on loans and financing sold to Cagamas		**(57,748)**	(74,298)	**(57,748)**	(74,298)
Redemption of recourse obligation on loans and financing sold to Cagamas		**(1,500,011)**	(400,003)	**(1,500,011)**	(400,003)
Net cash flows used in financing activities		**(1,490,796)**	(109,848)	**(1,402,947)**	(7,095)
Net increase/(decrease) in cash and cash equivalents		**4,895,462**	(2,709,092)	**4,895,462**	(2,709,092)
Cash and cash equivalents at beginning of the financial year		**7,732,050**	10,441,142	**7,732,004**	10,441,096
Cash and cash equivalents at end of the financial year		**12,627,512**	7,732,050	**12,627,466**	7,732,004
Cash and cash equivalents comprise :					
Cash and short-term funds	**2**	**12,577,466**	**7,732,050**	**12,577,420**	7,732,004
Deposits and placements with banks and other financial institutions	**3**	**50,046**	**-**	**50,046**	-
Cash and cash equivalents at end of the financial year		**12,627,512**	**7,732,050**	**12,627,466**	7,732,004

Statements of Cash Flows
for the financial year ended 31 December 2020 (Continued)

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2020 and 31 December 2019 are as follows:

The Group	Sukuk RM'000	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Total RM'000
At 1 January 2020	**266,222**	**1,118,255**	**2,854**	**1,510,390**	**2,897,721**
Payment and redemption	**(80,000)**	**-**	**(591)**	**(1,500,011)**	**(1,580,602)**
Profit paid	**(7,849)**	**(44,597)**	**-**	**(57,748)**	**(110,194)**
Other non cash movement	**7,782**	**44,678**	**102**	**47,369**	**99,931**
At 31 December 2020	**186,155**	**1,118,336**	**2,365**	**-**	**1,306,856**

The Group	Sukuk RM'000	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Total RM'000
At 1 January 2019	358,265	615,033	3,460	1,915,503	2,892,261
Proceeds from issuance	-	800,000	-	-	800,000
Payment and redemption	(92,000)	(300,000)	(607)	(400,003)	(792,610)
Profit paid	(10,753)	(32,187)	-	(74,298)	(117,238)
Other non cash movement	10,710	35,409	1	69,188	115,308
At 31 December 2019	266,222	1,118,255	2,854	1,510,390	2,897,721

Statements of Cash Flows
for the financial year ended 31 December 2020 (Continued)

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2020 and 31 December 2019 are as follows: (Continued)

The Bank	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Total RM'000
At 1 January 2020	**1,118,255**	**2,854**	**1,510,390**	**2,631,499**
Payment and redemption	**-**	**(591)**	**(1,500,011)**	**(1,500,602)**
Profit paid	**(44,597)**	**-**	**(57,748)**	**(102,345)**
Other non cash movement	**44,678**	**102**	**47,369**	**92,149**
At 31 December 2020	**1,118,336**	**2,365**	**-**	**1,120,701**

The Bank	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Total RM'000
At 1 January 2019	615,033	3,460	1,915,503	2,533,996
Proceeds from issuance	800,000	-	-	800,000
Payment and redemption	(300,000)	(607)	(400,003)	(700,610)
Profit paid	(32,187)	-	(74,298)	(106,485)
Other non cash movement	35,409	1	69,188	104,598
At 31 December 2019	1,118,255	2,854	1,510,390	2,631,499

Summary of Significant Accounting Policies for the financial year ended 31 December 2020

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the Financial Statements, except as disclosed in the Financial Statements.

A Basis of preparation

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

The Financial Statements have been prepared under historical cost convention, as modified by the revaluation of financial assets at fair value though profit or loss, debts instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, derivatives financial instruments and financial liabilities designated at fair value through profit of loss.

The preparation of Financial Statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 51.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

A Basis of preparation (Continued)

(a) Standards and amendments to published standards and interpretation that are effective and applicable to the Group and the Bank

The new accounting standards and amendments to published standards and interpretation that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2020 are as follows:

- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 9, MFRS 139 and MFRS 7 "Interest Rate Benchmark Reform"
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- Revised Conceptual Framework for Financial Reporting

The amendments to MFRS 9, MFRS 139 and MFRS 7 provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by interbank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the statement of comprehensive income. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present. The details from adoption of Interest Rate Benchmark Reform is in Note O.

The adoption of other amendments to published standards above did not have any impact on the current period or any prior period and is not likely to affect future periods.

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Group and the Bank operates its business.

In response to this unprecedented situation, the governments within the jurisdictions of the Group's and the Bank's key markets have responded by providing various forms of economic stimulus programs and relief packages. The Bank Negara Malaysia has also taken proactive steps to address economic and market disruptions.

The Group and the Bank has actively participated in numerous initiatives and programmes aimed at ensuring that customers affected by the economic disruption are provided with sufficient support and to play its part in keeping markets functioning.

The Group and the Bank will continuously assess the extent of the impact of the COVID-19 pandemic to the economic activities as the severity and duration of the global economic downturn remains uncertain.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

A Basis of preparation (Continued)

(b) Standards, amendments to published standards and interpretations that are applicable to the Group and the Bank but not yet effective

The Group and the Bank will apply these standards, amendments to published standards from:

(i) Financial year beginning on/after 1 June 2020

- Amendments to MFRS 16 "COVID-19 Related Rent Concessions"

The amendments grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
(c) there is no substantive change to other terms and conditions of the lease.

The amendments are to be applied retrospectively. The adoption of the above amendments to published standards are not expected to give rise to any material financial impact to the Group and the Bank.

(ii) Financial year beginning on/after 1 January 2021

- Interest rate benchmark reform-Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

The amendments address issues that arise from the implementation of interest rate benchmark reforms, focusing on issues that affect financial reporting when an existing interest rate benchmark is replaced with an alternative nearly risk-free rate.

The amendments, among others, include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating profit rate, equivalent to a movement in a market rate of profit rate. In applying the practical expedient, an entity is required to first identify and account for modifications to the instrument by updating the effective profit rate without adjusting the carrying amount. As a result, no immediate gain or loss is recognized.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

A Basis of preparation (Continued)

(b) Standards, amendments to published standards and interpretations that are applicable to the Group and the Bank but not yet effective (Continued)

The Group and the Bank will apply these standards, amendments to published standards from: (Continued)

(ii) Financial year beginning on/after 1 January 2021 (Continued)

The amendments are mandatory and effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The Group and the Bank is still in the midst of assessing the impact of the above amendments to published standards.

(iii) Financial year beginning on/after 1 January 2022

- Amendments to MFRS 116 “Proceeds before intended use”

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

- Amendments to MFRS 3 “Reference to Conceptual Framework”

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 ‘Provisions, contingent liabilities and contingent assets’ and IC Interpretation 21 ‘Levies’ when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

- Amendments to MFRS 137 “Onerous Contracts – Cost of Fulfilling a Contract”

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

A Basis of preparation (Continued)

(b) Standards, amendments to published standards and interpretations that are applicable to The Group and the Bank but not yet effective (Continued)

The Group and the Bank will apply these standards, amendments to published standards from: (Continued)

(iii) Financial year beginning on/after 1 January 2022 (Continued)

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied retrospectively.

- Annual improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"

It clarifies that only fees paid or received between the customer and the financier, including the fees paid or received on each other's behalf, are included in the cash flow of the new financing when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

(iv) Financial year beginning on/after 1 January 2023

- Amendments to MFRS 101 "Classification of liabilities as current or non-current"

The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A financing is classified as non-current if a covenant is breached after the reporting date.

In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible sukuk), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument.

The amendments shall be applied retrospectively.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

A Basis of preparation (Continued)

(b) Standards, amendments to published standards and interpretations that are applicable to the Group and the Bank but not yet effective (Continued)

The Group and the Bank will apply these standards, amendments to published standards from: (Continued)

The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Bank.

B Economic entities in the Group

(a) Subsidiaries

The consolidated Financial Statements include the Financial Statements of the Bank and all its subsidiaries made up to the end of the financial year.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations.

Under the acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in the business combination are, with limited exception measured initially at their fair value on the date of acquisition.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised. The acquired entity's results and balance sheet are incorporated prospectively from the date on which the business combination between entities under common control occurred.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in acquiree (if any), and the fair value of the Group's previously held equity interest in acquiree (if any), over the fair value of the acquiree's identifiable net assets acquired is recorded as goodwill. The accounting policy for goodwill is set out in Note K. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statement of income on the acquisition date.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in statement of income.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

All material transactions, balances and unrealised gains on transactions between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

B Economic entities in the Group (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss in control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statement of income. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(d) Interests in subsidiaries

In the Bank’s separate Financial Statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in statement of income.

The amounts due from subsidiaries of which the Bank does not expect repayment in the foreseeable future are considered as part of the Bank’s investments in the subsidiaries.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

C Recognition of profit income and profit expense

Profit income and profit expense for all profit-bearing financial instruments are recognised within "profit income" and "profit expense" in the statement of income using the effective profit method.

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

Profit income is calculated by applying effective profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

(a) Financing

Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for CIMB Islamic financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

Ijarah

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee is called Ijarah Muntahia bi al-Tamlik ("IMBT"). Effective transfer of the legal title is a consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai' is a form of IMBT where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised on effective profit rate basis over the lease term.

Ujrah

Arrangement that involves payment of a service fee in exchange for the services rendered to customers.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

C Recognition of profit income and profit expense (Continued)

(a) Financing (Continued)

Murabahah

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

Bai' al-'inah

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buys back the asset at a marked up and deferred. Income is recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

Qard

A contract of lending a fungible asset to a customer who is bound to return an equivalent replacement. No income from financing/profit expense from deposits shall be generated/paid from the transactions.

Bai' al- Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

C Recognition of profit income and profit expense (Continued)

(b) Deposits from customers

Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for the Bank's deposit product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by customer from Commodity Trader 1, on cash and spot basis. Secondly, the customer will sell the commodity using Murabahah contract, to the Bank on deferred basis. Subsequently, the Bank will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, Bank will get a cash to finance the Bank's activities and generate income.

Qard

A contract of lending a fungible asset to a customer who is bound to return an equivalent replacement. No income from financing/profit expense from deposits shall be generated/paid from the transactions.

(c) Placements from investment accounts

Mudharabah

A contract between a capital provider (Rabbul Mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's negligence (taqsir), negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorised into two types:

i) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.

ii) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

Profit shall be recognised on accrual basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

D Recognition of fees and other income

(a) Income from financing and receivables based on mutual accounting policy on Shariah contracts according to the nature of the transactions

Financing arrangement fees and commissions are recognised as income when all conditions precedent is fulfilled.

(b) Fee and other income recognition

The Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group have satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group generally satisfy its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, commissions, service charges and fees, credit card related fees and fees on financing, advances and other financing/loans. These fees constitute a single performance obligation.

- For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees.

The Group does not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include card-related expenses and sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Islamic derivative financial instruments are developed using Bai’ Sarf contract which is a buying and selling of foreign currencies and wa’ad which is a promise for delivery or fulfillment at a future date. The derivatives products may also be structured with other contracts such as Bai’ al-‘Inah and Commodity Murabahah. The other income recognised comprises of mark-to-market changes on derivatives and realised gains or losses recognised upon early termination of the derivatives.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

E Collateralised Commodity Murabahah

Obligations on securities transferred through Collateralised Commodity Murabahah as collateral, are securities which the Group and the Bank had transferred from their portfolio with a commitment under the agreement to be transferred back at future dates. Such financing transactions and the obligation for the securities to be transferred back are reflected as a liability on the statements of financial position.

The difference between the transfer and return price is treated as profit and accrued over the life of the Collateralised Commodity Murabahah transactions using the effective yield method.

F Financial assets

(a) Classification

The Group and the Bank classify their financial assets into the following measurement categories:

- Fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- Amortised cost.

The classification depends on the Group's and the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

Business model assessment

The Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual profit revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

F Financial assets (Continued)

(a) Classification (Continued)

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

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank any assess whether the financial assets' contractual cash flows represent solely payment of principal and profit. In applying the SPPI test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI by the Group and the Bank.

(i) Financial assets at fair value through OCI comprise of:

- Equity securities which are not held for trading, and for which the Group and the Bank have made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss, and
- Debt securities where the contractual cash flows are solely principal and profit and the objective of the Group's and the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Group and the Bank classify their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

F Financial assets (Continued)

(a) Classification (Continued)

(iii) The Group and the Bank classify the following financial assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income;
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

(b) Recognition and initial measurement

A financial asset is recognised in the statement of financial position when the Group and the Bank become parties to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Bank commit to purchase and sell the assets.

At initial recognition, the Group and the Bank measure financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit.

(c) Subsequent measurement

<u>Debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Group and the Bank classify their debt instruments.

(i) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, are measured at amortised cost. Any gain or loss on a debt investment that measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets is included in finance income using the effective profit rate method.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

F Financial assets (Continued)

(c) Subsequent measurement (Continued)

(ii) Fair value through other comprehensive income (“FVOCI”)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and profit, 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 and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income. When the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed of on a first-in, first-out basis. Profit income from these financial assets is included in finance income using the effective profit rate method.

(iii) Fair value through profit or loss (“FVTPL”)

Financial assets that do not meet the criteria for amortised cost or FVOCI or financial assets held for trading are measured at fair value through profit or loss. The Group and 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 and presented net within other operating income in the period which it arises.

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value except where the management has elected, at initial recognition to irrevocably designate at equity instrument at FVOCI. Where the Group’s and the Bank’s management have elected to present fair value gains and losses on equity investments in other comprehensive income, 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 operating income when the Group’s and the Bank’s right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other operating income in the statement of income as applicable.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

F Financial assets (Continued)

(d) Reclassification of financial assets

The Group and the Bank reclassify financial assets when and only when their business model for managing those assets changes. In such cases, the Group and the Bank are required to reclassify all affected financial assets. However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instrument that have been designated at FVOCI even when there is a change in business model. Such designation are irrevocable.

(e) Modification of financing, advances and other financing/loans

The Group and the Bank may renegotiate or otherwise modify the contractual cash flows of financing, advances and other financing/loans to customers. When this happens, the Group and the Bank assesses whether or not the new terms are substantially different to the original terms. The Group and the Bank do 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 affects the risk profile of the financing, advances and other financing/loans.
- Significant extension of the financing, advances and other financing/loans term when the customers is not in financial difficulty.
- Significant change in the profit rate.
- Change in the currency the financing, advances and other financing/loans is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing, advances and other financing/loans.

If the terms are substantially different, the Group and 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 Group and the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in statements of income as a gain or loss on derecognition.

F Financial assets (Continued)

(e) Modification of financing, advances and other financing/loans (Continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group 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 statements of income. 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).

The impact of modifications of financial assets is disclosed in Note 36.

G Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of income. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. The specific Group and Bank accounting policy on derivatives is detailed in Note O.

The financial liabilities measured at fair value through profit or loss upon initial recognition are trading derivatives and financial liabilities designated at fair value.

Financial liabilities, other than those held for trading, are classified as financial liabilities designated at fair value through profit or loss if they meet one or more of the criteria set out below, and are so designated by management.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

G Financial liabilities (Continued)

(a) Financial liabilities at fair value through profit or loss (Continued)

The Group and the Bank may designate financial liabilities at fair value through profit or loss when the designation:

- Eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group and the Bank under this criterion. The profit payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income.

- Applies to groups of financial liabilities that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and

- Relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

The fair value designation, once made is irrevocable. Designated financial liabilities are recognised when the Group and the Bank enter into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and are normally derecognised when extinguished (liabilities). Measurement is initially at fair value, with transaction costs taken to the statements of income. Subsequently, the fair values are remeasured, and gains and losses from changes therein are recognised in the statements of income.

The component of fair value changes relating to the Group’s and the Bank’s own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling to profit or loss, but are transferred to retained earnings when realised.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

G Financial liabilities (Continued)

(a) Financial liabilities at fair value through profit or loss (Continued)

The Group and the Bank determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are excluded from the assessment of market risk fair value changes.

The Group and the Bank believes that this approach most faithfully represents the amount of change in fair value due to the Group's and the Bank's own credit risk, as the changes in factors contributing to the fair value of the items other than the changes in the benchmark interest rate are not deemed to be significant.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, Collateralised Commodity Murabahah, other financial liabilities in other liabilities, Sukuks, subordinated Sukuk, lease liabilities and recourse obligations on financing sold to Cagamas.

Deposit from customers consists of Tawarruq vis-à-vis Commodity Murabahah, Mudharabah and Qard contracts.

Investment accounts of customers and investment accounts due to designated financial institutions consist of Mudharabah contracts.

H Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Bank test control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

H Derecognition of financial assets and financial liabilities (Continued)

Collateral furnished by the Group and the Bank under standard Collateralised Commodity Murabahah transactions is not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined return price, and the criteria for de-recognition are therefore not met.

I Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of defaults, insolvency or bankruptcy.

J Impairment of financial assets

The Group and the Bank assess on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost, FVOCI and with the exposure arising from financing commitments and financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(i) Financial assets accounted for at amortised cost, FVOCI and with the exposure arising from financing commitments and financial guarantee contracts.

The Group and the Bank use general 3-stage approach for financial assets accounted for at amortised cost, FVOCI and with the exposure arising from financing commitments and financial guarantee contracts which reflect their credit risk and how the ECL is determined for each of those categories.

A summary of the assumptions underpinning the Group's and the Bank's expected credit loss model is as follows:

(a) <u>Stage 1: 12-months ECL</u>
Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-month ECL is recognised and profit income is calculated on the gross carrying amount of the financial assets.

J Impairment of financial assets (Continued)

(i) Financial assets accounted for at amortised cost and FVOCI and with the exposure arising from financing commitments and financial guarantee contracts. (Continued)

(b) Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and profit income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL – credit impaired

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

The Group and the Bank account for their credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group and the Bank consider historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

(ii) Other assets

The Group and the Bank apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for trade receivables. An entity that applies a provision matrix may use historical loss experience on its trade receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

K Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

Capital work-in-progress are not depreciated. Other property, plant and equipment are depreciated on a straight line basis to allocate the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

Renovations	5 – 10 years or over the period of the tenancy, whichever is shorter
Office equipment, furniture and fittings:	
- Office equipment	3 – 10 years
- Furniture and fittings	5 – 10 years
General plant and machinery	5 years
Computer equipment and hardware:	
- Servers and hardware	3 – 7 years
- ATM machine	5 – 10 years
Motor vehicles	5 years

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in other operating income.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

L Intangible assets

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Other intangible assets

Other intangible assets include computer software. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, when it is probable that future economic benefits attributable to the assets will flow to the Group and the Bank. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. This impairment test may be performed at any time during the year, provided it is performed at the same time every year. An intangible asset recognised during the current period is tested before the end of the current year.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives.

Intangible assets are amortised over their finite useful lives as follows:

Computer software	3 – 15 years

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

M Leases – the Group and the Bank as lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Group and the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

M Leases – the Group and the Bank as lessee (Continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Amounts expected to be payable by the Group and the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, an incremental financing rate is used in determining the discount rate which assumes the profit rate that the Group and the Bank would have to pay to obtain financing over a similar term, the funds necessary to obtain the asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

The Group and the Bank presents the lease liabilities as a separate line item in the statement of financial position. Profit expense on the lease liability is presented under net financing income in the statement of income.

Short term leases and leases of low value assets

The Group and the Bank elects to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture with value of RM20,000 (or equivalent to USD5,000) or below. Payments associated with short-term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

N Leases – the Group and the Bank as lessor

As a lessor, the Group and the Bank determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(a) Finance lease

The Group and the Bank classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Bank derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment. In addition, the Group and the Bank reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group and the Bank revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(b) Operating lease

The Group and the Bank classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Bank recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term. When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

O Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate except for assets/liabilities that are classified as Level 3 fair value hierarchy. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of income.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise the fair value of derivatives in the statement of income immediately.

The Group and the Bank designate certain derivatives to manage its exposure to foreign currency and profit rate risks. The instruments used included Islamic profit rate swap, cross currency profit rate swap and currency swap.

The Group and the Bank documents at the inception of the hedging transaction the risk management objective & strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 23.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the statement of income over the period to maturity based on recalculated effective profit rate method over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains as part of the carrying amount until the disposal of the equity security.

Interbank offered rates ("IBORs"), such as the London Interbank Offered Rate ("LIBOR"), play a critical role in global financial markets, serving as reference rates for derivatives, financing and securities, and as parameters in the valuation of financial instruments.

In recent years, regulators, central banks and market participants have been working towards a transition to alternative risk-free benchmark reference rates (RFRs) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted in replacement of IBORs.

In response to the uncertainty about the long-term viability of these benchmark rates, and LIBOR in particular, the International Accounting Standards Board has established a project to consider the financial reporting implications of the reform. The transition from IBORs is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, as well as fair value methodologies and disclosures.

Bank Negara Malaysia has appointed the committee to oversee the development of RFR for Malaysia and the continuity of KLIBOR still under deliberation.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Impact of IBOR reform on Group's and the Bank's hedging relationship
The Group and the Bank has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks to which the Group's and the Bank's hedging relationships are exposed to is USD LIBOR.

The Group's and the Bank's risk exposure that is directly affected by the interest rate benchmark reform is its fair value hedge of RM78,007,606 fixed rate financing. These hedging relationships are designated using profit rate swaps, for changes attributable to USD LIBOR that are respective current benchmark interest rate. Additional information about the Group's and the Bank's exposure to IBOR reform is presented in Note 23.

However, as part of the reforms noted above, the authority has decided to no longer compel panel bank to participate in the USD LIBOR submission process after end of 2021 and cease to oversight of these benchmark interest rates. Regulatory authorities and private sector working groups have been discussing alternative benchmark rates for USD LIBOR.

The Group and the Bank will continue to record any ongoing hedge ineffectiveness, including that generated by changes as a result of interest rate reform, within the Income Statement. One of the source of ineffectiveness would be due to the IBOR reform takes effect at a different time and have a different impact on the hedged items (Financing) and hedging instruments (the derivatives used to hedge the relevant hedged items).

Managing the process to transition
The Group and the Bank has established a steering committee to oversee the Group's and the Bank's IBORs transition plan. This steering committee has put in place a transition project includes the assessment and actions necessary to accommodate the transition to RFRs as they apply internal process and systems in pricing, risk management, and valuation models, as well as managing related tax and accounting implications. The Group and the Bank is continuing to monitor market developments in relation to the transition to RFRs from IBOR rates and their impact on the Group's and the Bank's financial assets and liabilities to ensure that there are no unexpected consequences or disruption from the transition.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

P Currency translations

(a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Statements are presented in Ringgit Malaysia, which is the Group's and the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in statement of income, and other changes in the carrying amount are recognised in equity.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in the revaluation reserve of equity instruments at fair value through other comprehensive income.

Q Income and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences unused tax losses can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted at the end of each reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

R Share capital

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the contractual arrangement of the particular instrument.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary shares and non-redeemable preference shares with discretionary dividends are recognised as a liability when the shareholders' right to receive the dividend is established.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity

(d) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group and the Bank, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

(e) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of profit and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

S Employee benefits

(a) Short-term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

(b) Post employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's and the Bank's contributions to a defined contribution plan are charged to the statement of income. Once the contributions have been paid, the Group and the Bank have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Other long-term employee benefits

The cost of long-term employee benefits (for example, long-term service leave) is accrued to match the rendering of services by the employees concerned using an accounting methodology similar to that for defined benefit plans for the liability which is not expected to be settled within 12 months, except that remeasurements are recognised immediately in profit or loss.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

S Employee benefits (Continued)

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Bank recognise termination benefits at the earlier of the following dates:

(a) when the Group and the Bank can no longer withdraw the offer of those benefits; and
(b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) Share-based compensation benefits

Employee Ownership Plan ("EOP")

CIMB Group operates an equity-settled, share-based compensation plan, where ordinary shares of CIMB Group are purchased from the market at market value and awarded to the eligible executive employees.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the award is fully released to relevant employees ('the final release date'). The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense in statement of income over the period of release, based on the best available estimate of the number of shares expected to be released at each of the relevant release date. On the final release date, the estimate will be revised to equal the actual number of shares that are ultimately released to the employees.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

T Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statement of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

U Provisions

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

(i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as a profit expense.

V Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group and the Bank 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 an instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure financing and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Subsequent to initial recognition, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

Any increase in the liability relating to guarantees is reported in the statement of income within ECL for commitments and contingencies.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

W Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements with original maturity of 3 months or less.

X Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision-maker.

Intra-segment revenue and costs are eliminated at head office. Income and expenses directly associated with each segment are included in determining business segment performance.

Y Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and the Bank. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group’s and the Bank’s Financial Statements but disclosed where inflows of economic benefits are probable but not virtually certain.

Contingent liabilities, which do not include financial guarantee contracts are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group and the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognised in the Financial Statements but are disclosed unless the probability of settlement is remote.

Summary of Significant Accounting Policies for the financial year ended 31 December 2020 (Continued)

Z Investment Accounts

This category comprises restricted and unrestricted investment accounts. The placements from investment accounts that are used to fund specific financing are called Restricted Profit Sharing Investment Accounts ("RPSIA"). The RPSIA and unrestricted investment accounts are a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by investors.

AA Financing assistance scheme

Financing under a government scheme is recognised and measured in accordance with MFRS 9 Financial Instruments, with the benefit at a below market and concession rate measured as the difference between the initial carrying amount or fair value of the financing and the amount received.

The benefit of government schemes that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the profit or loss in the same financial period when the cost or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance.

Notes to the Financial Statements for the financial year ended 31 December 2020

1 General information

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related financial services. The principal activities of the significant subsidiaries as set out in Note 13 in the Financial Statements are providing Islamic nominee and custody services. Islamic banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities allowed under the Islamic Financial Services Act, 2013 done in accordance with Shariah.

The immediate holding company of the Bank is CIMB Bank Berhad, a licensed bank incorporated in Malaysia and the Directors regard CIMB Group Holdings Berhad ("CIMB Group"), a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act, 2013, incorporated and domiciled in Malaysia.

The address of the Bank's registered office is at 13th Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The Bank's principal place of business is at 17th Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

2 Cash and short-term funds

		The Group		The Bank	
	Note	**31 December 2020 RM'000**	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Cash and balances with banks and other financial institutions		**196,948**	70,647	**196,902**	70,601
Money at call and deposit placements maturing within one month		**12,380,518**	7,661,403	**12,380,518**	7,661,403
		12,577,466	7,732,050	**12,577,420**	7,732,004
Expected credit losses	3	**-**	-	**-**	-
		12,577,466	7,732,050	**12,577,420**	7,732,004

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

3 Deposits and placements with banks and other financial institutions

	The Group and the Bank 31 December 2020 RM'000	The Group and the Bank 31 December 2019 RM'000
Licensed banks	**50,046**	-
Expected credit losses	**-**	-
	50,046	-

Expected credit losses movement for money at call and deposits and placements with banks and other financial institutions:

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
The Group and the Bank				
At 1 January 2020	**-**	**-**	**-**	**-**
Total charge to Statement of Income:	**-**	**-**	**-**	**-**
New financial assets originated	**66**	**-**	**-**	**66**
Financial assets that have been derecognised	**-**	**-**	**-**	**-**
Change in credit risk	**(66)**	**-**	**-**	**(66)**
At 31 December 2020	**-**	**-**	**-**	**-**
The Group and the Bank				
At 1 January 2019	185	-	-	185
Total charge to Statement of Income:	(185)	-	-	(185)
New financial assets originated	447	-	-	447
Financial assets that have been derecognised	(72)	-	-	(72)
Change in credit risk	(560)	-	-	(560)
At 31 December 2019	-	-	-	-

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

4 Financial investments at fair value through profit or loss

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Money market instruments		
Unquoted:		
Malaysian Government treasury bills	**288,829**	8,582
Islamic negotiable instruments of deposits	**1,195,653**	2,492,770
Government Investment Issues	**396,416**	1,261,461
Islamic Cagamas bonds	**7,545**	25,221
Islamic Commercial Paper	**2,809,208**	1,193,234
	4,697,651	4,981,268
Unquoted securities:		
In Malaysia		
Corporate sukuk	**336,778**	67,764
	5,034,429	5,049,032

5 Debt instruments at fair value through other comprehensive income

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Money market instruments		
Unquoted:		
Government Investment Issues	**628,152**	700,678
Islamic Cagamas bonds	**57,150**	76,277
Malaysian Government Sukuk	**20,997**	-
Islamic Commercial Papers	**24,803**	101,839
	731,102	878,794
Unquoted securities:		
In Malaysia		
Corporate sukuk	**2,893,404**	2,701,955
Outside Malaysia		
Corporate sukuk	**46,393**	35,597
	3,670,899	3,616,346

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

5 Debt instruments at fair value through other comprehensive income (Continued)

Expected credit losses movement for debt instruments at fair value through other comprehensive income:

The carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value. The loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	**1,749**	**99**	**-**	**1,848**
Changes in expected credit losses due to transferred within stages:	**117**	**(117)**	**-**	**-**
Transferred to Stage 1	**117**	**(117)**	**-**	**-**
Transferred to Stage 2	**-**	**-**	**-**	**-**
Total charge to Statement of Income:	**48**	**18**	**-**	**66**
New financial assets purchased	**14,376**	**-**	**-**	**14,376**
Financial assets that have been derecognised	**(450)**	**-**	**-**	**(450)**
Change in credit risk	**(13,878)**	**18**	**-**	**(13,860)**
At 31 December 2020	**1,914**	**-**	**-**	**1,914**

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	1,117	-	-	1,117
Changes in expected credit losses due to transferred within stages:	(49)	49	-	-
Transferred to Stage 1	-	-	-	-
Transferred to Stage 2	(49)	49	-	-
Total charge to Statement of Income:	681	50	-	731
New financial assets purchased	8,698	-	-	8,698
Financial assets that have been derecognised	(170)	-	-	(170)
Change in credit risk	(7,847)	50	-	(7,797)
At 31 December 2019	1,749	99	-	1,848

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

5 Debt instruments at fair value through other comprehensive income (Continued)

Impact of movements in gross carrying amount on expected credit losses

2020
Net expected credit losses ("ECL") increased by RM66,000 for the Group and the Bank mainly due to recognition of gross carrying amounts ("GCA") from new financial assets purchased, and derecognition of GCA for debt instruments at fair value through other comprehensive income from disposal and write-back of ECL from lower GCA from partial disposal.

2019
Net expected credit losses ("ECL") increased by RM731,000 for the Group and the Bank mainly due to recognition of gross carrying amounts ("GCA") from new financial assets purchased, and derecognition of GCA for debt instruments at fair value through other comprehensive income from disposal and write-back of ECL from lower GCA from partial disposal.

Notes to the Financial Statements
for the financial year ended 31 December 2020 (Continued)

6 Debt instruments at amortised cost

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Money market instruments		
Unquoted:		
Government Investment Issue	**2,926,780**	2,980,103
Islamic Cagamas bonds	**52,912**	60,651
Malaysian Government Sukuk	**101,341**	101,305
Commercial papers	**-**	49,203
Khazanah bonds	**89,047**	-
	3,170,080	3,191,262
Unquoted securities:		
In Malaysia		
Corporate sukuk	**5,333,167**	4,888,542
Amortisation of premium net of accretion of discount	**(1,409)**	3,287
Less : Expected credit losses	**(184)**	(395)
	8,501,654	8,082,696

Expected credit losses movement for debt instruments at amortised cost:

The Group and the Bank	**12-month expected credit losses (Stage 1) RM'000**	**Lifetime expected credit losses - not credit impaired (Stage 2) RM'000**	**Lifetime expected credit losses - Credit impaired (Stage 3) RM'000**	**Total RM'000**
At 1 January 2020	**395**	**-**	**-**	**395**
Total charge to Statement of Income:	**(211)**	**-**	**-**	**(211)**
New financial assets purchased	**1,113**	**-**	**-**	**1,113**
Change in credit risk	**(1,324)**	**-**	**-**	**(1,324)**
At 31 December 2020	**184**	**-**	**-**	**184**

6 Debt instruments at amortised cost (Continued)

Expected credit losses movement for debt instruments at amortised cost: (Continued)

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
Debt instruments at amortised cost				
At 1 January 2019	207	-	-	207
Total charge to Statement of Income:	188	-	-	188
New financial assets purchased	680	-	-	680
Change in credit risk	(492)	-	-	(492)
At 31 December 2019	395	-	-	395

Impact of movements in gross carrying amount on expected credit losses

2020
The net ECL decreased by RM211,000 for the Group and the Bank is mainly due to write-back of ECL from lower GCA from partial disposal.

2019
The net ECL increased by RM188,000 for the Group and the Bank is mainly due to recognition of gross carrying amounts ("GCA") from new financial assets purchased, and write-back of ECL from lower GCA from partial disposal.

7 Financing, advances and other financing/loans

31 December 2020
At amortised cost:

	The Group and the Bank									
	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line^	-	268	842	-	1,036,198	-	-	8,907	-	1,046,215
Term financing										
House Financing	-	4,937,835	-	-	21,574,218	1,227,897	-	-	-	27,739,950
Syndicated Financing	-	-	39,111	-	2,082,395	-	-	-	-	2,121,506
Hire purchase receivables	-	-	-	-	-	-	11,380,856	-	-	11,380,856
Other term financing	-	1,168,761	5,004,003	-	31,036,109	44,811	-	-	-	37,253,684
Bills receivable	334,959	-	-	31,043	-	-	-	-	-	366,002
Islamic trust receipts	96,492	-	-	-	-	-	-	-	-	96,492
Claims on customers under acceptance credits	691,902	-	-	84,911	-	-	-	-	-	776,813
Staff financing**	-	-	-	-	171,716	-	-	-	-	171,716
Credit card receivables	-	-	-	-	-	-	-	-	134,389	134,389
Revolving credits	-	-	-	-	4,603,440	-	-	-	-	4,603,440
Gross financing, advances and other financing/loans, at amortised cost	1,123,353	6,106,864	5,043,956	115,954	60,504,076	1,272,708	11,380,856	8,907	134,389	85,691,063
Fair value changes arising from fair value hedge										3,835
										85,694,898
Less: Expected credit losses										(975,403)
Net financing, advances and other financing/loans, at amortised cost										84,719,495

7 Financing, advances and other financing/loans (Continued)

31 December 2020
At fair value through profit or loss:

	The Group and the Bank									
	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing										
Syndicated Financing	-	-	-	-	197,321	-	-	-	-	197,321
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	197,321	-	-	-	-	197,321
Total net financing, advances and other financing/loans										**84,916,816**

^ Includes current account in excess
* The Bank is the beneficial owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
#The Bank is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
** Includes financing to Directors of the Group and the Bank amounting to RM2,081,719 (2019:RM1,894,546).

7 Financing, advances and other financing/loans (Continued)

31 December 2019
At amortised cost:

	The Group and the Bank									
	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line^	-	1,844	318	-	1,231,210	-	-	5,910	-	1,239,282
Term financing										
House Financing	-	5,236,376	-	-	16,450,891	1,276,449	-	-	-	22,963,716
Syndicated Financing	-	-	51,777	-	2,147,361	-	-	-	-	2,199,138
Hire purchase receivables	-	-	-	-	-	-	9,036,064	-	-	9,036,064
Other term financing	-	1,265,890	5,144,668	-	30,090,750	49,203	-	-	-	36,550,511
Bills receivable	462,648	-	-	26,957	-	-	-	-	-	489,605
Islamic trust receipts	95,737	-	-	-	-	-	-	-	-	95,737
Claims on customers under acceptance credits	875,221	-	-	109,039	-	-	-	-	-	984,260
Staff financing**	-	-	-	-	147,832	-	-	-	-	147,832
Credit card receivables	-	-	-	-	-	-	-	-	149,029	149,029
Revolving credits	-	-	-	-	5,384,472	-	-	-	-	5,384,472
Gross financing, advances and other financing/loans, at amortised cost	1,433,606	6,504,110	5,196,763	135,996	55,452,516	1,325,652	9,036,064	5,910	149,029	79,239,646

Fair value changes arising from fair value hedge	9,075
	79,248,721
Less: Expected credit losses	(434,648)
Net financing, advances and other financing/loans, at amortised cost	78,814,073

CIMB Islamic Bank Berhad
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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

7 Financing, advances and other financing/loans (Continued)

31 December 2019
At fair value through profit or loss:

	The Group and the Bank									
	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing										
Syndicated Financing	-	-	-	-	200,181	-	-	-	-	200,181
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	200,181	-	-	-	-	200,181
Total net financing, advances and other financing/loans										79,014,254

^ Includes current account in excess
* The Bank is the beneficial owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
#The Bank is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
** Includes financing to Directors of the Group and the Bank amounting to RM2,081,719 (2019:RM1,894,546).

7 Financing, advances and other financing/loans (Continued)

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Total gross financing, advances and other financing/loans		
- At amortised cost	**85,691,063**	79,239,646
- At fair value through profit or loss	**197,321**	200,181
	85,888,384	79,439,827

(i) By type and Shariah contracts:

(a) The Group and the Bank has undertaken fair value hedge on the profit rate risk of RM78,322,000 (2019: RM1,993,931,000) financing using Islamic profit rate swaps.

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between the Bank and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the portfolio and individual impairment for bad and doubtful financing arising thereon.

As at 31 December 2020, the gross exposure and expected credit losses relating to RPSIA financing are RM4,703,553,000 (2019: RM4,956,226,000) and RM104,169,000 (2019: RM91,238,000) respectively.

7 Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contracts: (Continued)

(c) Movement of Qard financing

	The Group and the Bank	
	2020	2019
	RM'000	RM'000
As at 1 January	**5,910**	1,455
New disbursement	**5,072**	4,731
Repayment	**(2,075)**	(276)
As at 31 December	**8,907**	5,910
Sources of Qard fund:		
Depositors' fund	**8,401**	5,566
Shareholders' fund	**506**	344
	8,907	5,910
Uses of Qard fund:		
Personal use	**469**	280
Business purpose	**8,438**	5,630
	8,907	5,910

(ii) By type of customer:

	The Group and the Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Domestic non-bank financial institutions	**2,307,114**	2,329,455
Domestic business enterprises		
- Small medium enterprises	**11,717,859**	10,511,426
- Others	**9,675,087**	11,499,819
Government and statutory bodies	**3,485,484**	3,714,239
Individuals	**57,876,284**	50,643,322
Other domestic entities	**227,451**	145,336
Foreign entities	**599,105**	596,230
Gross financing, advances and other financing/loans	**85,888,384**	79,439,827

CIMB Islamic Bank Berhad

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

7 Financing, advances and other financing/loans (Continued)

(iii) By profit rate sensitivity:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Fixed rate		
- house financing	**171,776**	108,959
- hire purchase receivables	**10,220,238**	7,758,776
- others	**2,460,723**	5,344,064
Variable rate		
- house financing	**27,568,174**	22,854,757
- others	**45,467,473**	43,373,271
Gross financing, advances and other financing/loans	**85,888,384**	79,439,827

(iv) By economic purpose:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Personal use	**2,318,285**	2,287,826
Credit card	**134,389**	149,029
Construction	**1,801,730**	2,041,071
Residential property	**28,484,583**	23,595,169
Non-residential property	**7,885,765**	6,982,016
Purchase of fixed assets other than land and building	**340,901**	314,992
Purchase of securities	**14,019,757**	14,139,633
Purchase of transport vehicles	**11,635,714**	9,577,892
Working capital	**15,992,835**	16,794,814
Merger and acquisition	**532**	621
Other purpose	**3,273,893**	3,556,764
Gross financing, advances and other financing/loans	**85,888,384**	79,439,827

7 Financing, advances and other financing/loans (Continued)

(v) By geographical distribution:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Malaysia	**85,888,384**	79,439,827

(vi) By economic sector:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Primary agriculture	**3,131,487**	3,280,112
Mining and quarrying	**654,850**	954,113
Manufacturing	**3,109,434**	2,874,323
Electricity, gas and water supply	**283,688**	106,863
Construction	**1,647,676**	1,727,410
Transport, storage and communications	**2,335,206**	3,315,978
Education, health and others	**4,207,790**	4,478,235
Wholesale and retail trade, and restaurants and hotels	**3,547,681**	3,296,761
Finance, insurance/takaful, real estate and business activities	**8,688,348**	8,425,855
Household	**58,200,960**	50,889,621
Others	**81,264**	90,556
Gross financing, advances and other financing/loans	**85,888,384**	79,439,827

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

7 Financing, advances and other financing/loans (Continued)

(vii) By residual contractual maturity:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Within one year	**10,817,368**	12,683,519
One year to less than three years	**1,412,871**	1,384,797
Three years to less than five years	**2,754,591**	3,075,585
Five years and more	**70,903,554**	62,295,926
Gross financing, advances and other financing/loans	**85,888,384**	79,439,827

(viii) Credit impaired financing by economic purpose:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Personal use	**36,843**	17,449
Credit cards	**1,762**	2,009
Construction	**1,312**	1,488
Residential property	**370,505**	243,980
Non-residential property	**123,188**	102,319
Purchase of fixed assets other than land and building	**65**	71
Purchase of securities	**87,766**	1,220
Purchase of transport vehicles	**99,852**	70,032
Working capital	**757,692**	781,262
Other purpose	**18,257**	22,267
Gross credit impaired financing, advances and other financing/loans	**1,497,242**	1,242,097

(ix) Credit impaired financings by geographical distribution:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Malaysia	**1,497,242**	1,242,097

7 Financing, advances and other financing/loans (Continued)

(x) Credit impaired financing, advances and other financing/loans by economic sector:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Primary agriculture	**19,370**	18,391
Mining and quarrying	**1,340**	812
Manufacturing	**694,217**	747,255
Electricity, gas and water supply	**1**	-
Construction	**16,505**	9,705
Transport, storage and communications	**3,796**	861
Education, health and others	**3,567**	4,576
Wholesale and retail trade, and restaurants and hotels	**92,310**	49,806
Finance, insurance/takaful, real estate and business activities	**39,048**	47,080
Household	**627,086**	363,609
Others	**2**	2
Gross credit impaired financing, advances and other financing/loans	**1,497,242**	1,242,097

7 Financing, advances and other financing/loans (Continued)

(xi) Movements in the expected credit losses for financing, advances and other financing/loans are as follows:

Financing, advances and other financing/loans at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses-not credit impaired (Stage 2)	Lifetime expected credit losses -Credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	134,567	132,054	168,027	434,648
Changes in expected credit losses due to transferred within stages:	(126,796)	115,144	11,652	-
Transferred to Stage 1	105,759	(82,281)	(23,478)	-
Transferred to Stage 2	(231,780)	339,942	(108,162)	-
Transferred to Stage 3	(775)	(142,517)	143,292	-
Total charge to Statement of Income:	246,643	134,861	244,907	626,411
New financial assets originated	81,920	5,138	61,547	148,605
Financial assets that have been derecognised	(51,255)	(19,025)	-	(70,280)
Writeback in respect of full recoveries	-	-	(60,469)	(60,469)
Change in credit risk	215,978	148,748	243,829	608,555
Write-offs	(221)	(70)	(89,915)	(90,206)
Other movements	211	(143)	4,482	4,550
As at 31 December 2020	254,404	381,846	339,153	975,403

7 Financing, advances and other financing/loans (Continued)

(xi) Movements in the expected credit losses for financing, advances and other financing/loans are as follows: (Continued)

Financing, advances and other financing/loans at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses-not credit impaired (Stage 2) RM'000	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	172,096	75,042	199,048	446,186
Changes in expected credit losses due to transferred within stages:	183,922	(128,927)	(54,995)	-
Transferred to Stage 1	228,124	(204,504)	(23,620)	-
Transferred to Stage 2	(43,897)	153,736	(109,839)	-
Transferred to Stage 3	(305)	(78,159)	78,464	-
Total charge to Statement of Income:	(220,396)	185,939	134,612	100,155
New financial assets originated	91,254	112	40,261	131,627
Financial assets that have been derecognised	(52,554)	(9,565)	-	(62,119)
Writeback in respect of full recoveries	-	-	(116,886)	(116,886)
Change in credit risk	(259,096)	195,392	211,237	147,533
Write-offs	-	-	(130,371)	(130,371)
Other movements	(1,055)	-	19,733	18,678
As at 31 December 2019	134,567	132,054	168,027	434,648

7 Financing, advances and other financing/loans (Continued)

(xii) Movements in credit impaired for financing, advances and other financing/loans.

Gross carrying amount movement of financing, advances and other financing/loans at amortised cost classified as credit impaired:

	The Group and the Bank	
	Lifetime expected credit losses -Credit impaired (Stage 3)	
	Total RM'000	Total RM'000
At 1 January 2020	1,242,097	1,242,097
Transfer within stages	493,309	493,309
Transferred to Stage 1	(156,296)	(156,296)
Transferred to Stage 2	(475,367)	(475,367)
Transferred to Stage 3	1,124,972	1,124,972
New financial assets originated	358,118	358,118
Write-offs	(89,915)	(89,915)
Amount fully recovered	(391,882)	(391,882)
Other changes in financing, advances and other financing/loans	(114,485)	(114,485)
At 31 December 2020	1,497,242	1,497,242

7 Financing, advances and other financing/loans (Continued)

(xii) Movements in credit impaired financing, advances and other financing/loans: (Continued)

Gross carrying amount movement of financing, advances and other financing/loans at amortised cost classified as credit impaired: (Continued)

	The Group and the Bank	
	Lifetime expected credit losses -Credit impaired (Stage 3)	
	Total	Total
	RM'000	RM'000
At 1 January 2019	437,712	437,712
Transfer within stages	393,513	393,513
Transferred to Stage 1	(87,510)	(87,510)
Transferred to Stage 2	(548,154)	(548,154)
Transferred to Stage 3	1,029,177	1,029,177
New financial assets originated	935,198	935,198
Write-offs	(130,371)	(130,371)
Amount fully recovered	(372,237)	(372,237)
Other changes in financing, advances and other financing/loans	(21,718)	(21,718)
At 31 December 2019	1,242,097	1,242,097

	The Group and the Bank	
	31 December 2020	31 December 2019
Ratio of credit impaired financing to total financing, advances and other financing/loans	**1.74%**	**1.56%**

7 Financing, advances and other financing/loans (Continued)

(xii) Movements in credit impaired financing, advances and other financing/loans: (Continued)

Impact of movements in gross carrying amount on expected credit losses

<u>2020</u>
Stage 1 ECL increased by RM120 million for the Group and the Bank as a result of financing, advances and other financing/loans that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement, offset by RM26,741 million and of the Group's and the Bank's loans, advances and financing that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality.

Stage 2 ECL increased by RM250 million for the Group and the Bank as a result of financing, advances and other financing/loans migrating into Stage 2 arising from escalation of credit risk on certain segments of the targeted repayment assistance loans, selected exposures to the oil and gas industry and additional disbursement, offset by RM4,968 million of the Group's and the Bank's loans, advances and financing that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 2 to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL increased by RM171 million for the Group and Bank as a result of financing, advances and other financing/loans that were transferred into Stage 3 due to credit quality deterioration for the Group and the Bank respectively including selected exposures to the oil and gas industry. This is offsetted by RM1,138 million of loans, advances and financing for the Group and the Bank that were fully repaid, having movement in the existing account balances during the financial year, and transferred to Stage 1 or Stage 2. Changes in Stage 3 ECL is also due to loans, advances and financing which ECL mostly fully provided for that were written off during the financial year.

Total ECL movements in 2020 is also affected by the changes in forward-looking economic inputs, increased weighting of a downside economic scenario and increased overlay provisions from estimated impacts of COVID-19 pandemic, as disclosed in Note 52.1.7.

The amount of financing, advances and other financing/loans whose cash flows were modified of the Group and the Bank during the financial year were both RM47,865,950 respectively.

7 Financing, advances and other financing/loans (Continued)

(xii) Movements in credit impaired financing, advances and other financing/loans: (Continued)

Impact of movements in gross carrying amount on expected credit losses (Continued)

2019
Stage 1 expected credit losses ("ECL") decreased by RM220 million for the Group and the Bank during the financial year mainly due to derecognition of gross carrying amounts ("GCA") for financing, advances and other financing/loans from full settlement, write-back of ECL from lower GCA from partial settlement and lower ECL for GCA transferred from stage 2 to stage 1, offset by recognition of GCA from newly originated financing, advances and other financing/loans.

Stage 2 ECL increased by RM186 million for the Group and the Bank mainly due to higher ECL for GCA transferred from stage 1 to stage 2.

Stage 3 ECL increased by RM135 million for the Group and the Bank mainly due to higher ECL for GCA transferred from stage 1 and 2 to stage 3.

The write-off financings with a total GCA of RM130 million for the Group and the Bank resulted in the reduction of the stage 3 ECL by the same amount.

8 Other assets

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Deposits and prepayments	**9,069**	6,169	**9,069**	6,169
Sundry debtors net of expected credit losses*	**235,912**	67,331	**396,592**	67,331
Collateral pledged for derivative transactions	**25,250**	25,250	**25,250**	25,250
Treasury related receivables	**35,678**	59,600	**35,678**	59,600
Clearing accounts	**106,597**	149,145	**106,597**	149,145
	412,506	307,495	**573,186**	307,495

* Sundry debtors net of expected credit losses of RM274,000 (2019: RM289,000).

Included in sundry debtors amounting to RM160,976,000 [(2019:RM83,759,000) in other payables and accruals (Refer to Note 24)] is funding received by the Bank, via issuance of Sukuk from Ziya. At the Group level, due to the consolidation of Ziya, the funding is eliminated and reclassified under Sukuk (Refer to Note 27).

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

8 Other assets (Continued)

(a) Movements of lifetime expected credit losses on sundry debtors using simplified approach are as follows:

	The Group and the Bank	
	2020	2019
	RM'000	RM'000
At 1 January	**289**	301
Expected credit losses written back during the financial year	**(16)**	(12)
At 31 December	**273**	289

9 Deferred taxation

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

	The Group and the Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Deferred tax assets	**85,777**	22,151
Deferred tax liabilities	**-**	-
	85,777	22,151

Further breakdown are as follows:

	31 December 2020	31 December 2019
Deferred tax assets (before offsetting)	**RM'000**	RM'000
Expected credit losses	**85,913**	20,700
Property, plant and equipment	**299**	-
Provision for expenses	**9,211**	9,158
Lease liabilities	**568**	685
Other temporary differences	**294**	296
	96,285	30,839
Offsetting	**(10,508)**	(8,688)
Deferred tax assets (after offsetting)	**85,777**	22,151
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	**-**	(142)
Fair value reserve - Debt instruments at fair value through other comprehensive income	**(9,285)**	(6,630)
Right-of-use assets	**(532)**	(665)
Intangible assets	**(691)**	(1,251)
	(10,508)	(8,688)
Offsetting	**10,508**	8,688
Deferred tax liabilities (after offsetting)	**-**	-

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

9 Deferred taxation (Continued)

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

The Group and the Bank	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Debt instruments at fair value through other comprehensive income RM'000	Intangible assets RM'000	Provision for expenses RM'000	Right-of-use assets RM'000	Lease liabilities RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)										
At 1 January 2020		20,700	(142)	(6,630)	(1,251)	9,158	(665)	685	296	22,151
Credited/(charged) to statements of income	44	63,172	244	-	(25)	2,650	133	(117)	(5,143)	60,914
(Under)/over provision in prior financial year		2,041	197	-	585	(2,597)	-	-	5,141	5,367
Transferred to equity		-	-	(2,655)	-	-	-	-	-	(2,655)
At 31 December 2020		85,913	299	(9,285)	(691)	9,211	(532)	568	294	85,777

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

9 Deferred taxation (Continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following: (Continued)

The Group and the Bank	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Debt instruments at fair value through other comprehensive income RM'000	Intangible assets RM'000	Provision for expenses RM'000	Right-of-use assets RM'000	Lease liabilities RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)										
At 1 January 2019		65,516	(324)	2,010	(206)	10,021	(830)	830	231	77,248
Credited/(charged) to statements of income	**44**	4,989	(714)	-	66	(863)	165	(145)	65	3,563
(Under)/over provision in prior financial year		(49,805)	896	-	(1,111)	-	-	-	-	(50,020)
Transferred to equity		-	-	(8,640)	-	-	-	-	-	(8,640)
At 31 December 2019		20,700	(142)	(6,630)	(1,251)	9,158	(665)	685	296	22,151

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

10 Amounts due from/(to) holding company and ultimate holding company

	The Group and the Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Amounts due from :		
- ultimate holding company	**-**	1
- holding company	**311,109**	-
	311,109	1
Amounts due to :		
- holding company	**-**	(38,859)

The amounts due from/(to) holding company and ultimate holding company are unsecured, interest-free and repayable on demand.

11 Amounts due from/(to) related companies

	The Group and the Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Amounts due from :		
- related companies	**167**	783
Amounts due to :		
- related companies	**(8,643)**	(11,241)

The amounts due from/(to) related company and ultimate holding company are unsecured, interest-free and repayable on demand.

12 Statutory deposits with Bank Negara Malaysia

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Statutory deposits with Bank Negara Malaysia	**-**	2,058,109

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

On 15 May 2020, BNM has issued Statutory Reserve Requirement (“SRR”) guideline and with effect from 16 May 2020, banking institutions are allowed to recognise Malaysian Government Securities and Malaysian Government Investment Issue to fully meet the SRR requirement of 2%. This flexibility is available until 31 May 2021.

13 Investment in subsidiaries

	The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Unquoted shares, at cost	**20**	20
Less: Allowance for impairment losses	**(9)**	(9)
	11	11

The table below shows the movements in allowance for impairment losses during the financial year for the Bank:

	The Bank	
	2020 RM'000	2019 RM'000
At 1 January/31 December	**9**	9

13 Investment in subsidiaries (Continued)

(a) The subsidiaries of the Bank are as follows:

		Percentage of equity held directly by the Bank	
		31 December 2020	31 December 2019
Name	**Principal activities**	**%**	**%**
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100
Ziya Capital Berhad **	Implementing and carrying out an asset-backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	**-**	-

**The silo of Ziya Capital Berhad is consolidated pursuant to MFRS 10 and not audited by PricewaterhouseCoopers PLT.

All the subsidiaries are incorporated in Malaysia.

(b) Consolidation of Ziya Capital Berhad

On 12 August 2016, the Bank obtained funding through securitisation of its hire purchase receivables to Ziya Capital Berhad (“Ziya”), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 “Consolidated Financial Statements”, the Group has consolidated the silo of Ziya in relation to the Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction.

14 Property, plant and equipment

2020	Renovations, work-in-progress, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
	The Group and the Bank			
Cost				
At 1 January	**3,669**	**387**	**21,965**	**26,021**
Additions	**91**	**-**	**1,682**	**1,773**
Written off	**-**	**-**	**(3,995)**	**(3,995)**
At 31 December	**3,760**	**387**	**19,652**	**23,799**
Accumulated depreciation				
At 1 January	**2,397**	**200**	**19,905**	**22,502**
Charge for the financial year	**265**	**78**	**1,111**	**1,454**
Written off	**-**	**-**	**(1,505)**	**(1,505)**
At 31 December	**2,662**	**278**	**19,511**	**22,451**
Net book value at 31 December	**1,098**	**109**	**141**	**1,348**

2019	Renovations, work-in-progress, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
	The Group and the Bank			
Cost				
At 1 January	2,249	387	21,477	24,113
Additions	1,420	-	1,855	3,275
Written off	-	-	(1,367)	(1,367)
At 31 December	3,669	387	21,965	26,021
Accumulated depreciation				
At 1 January	2,228	123	19,006	21,357
Charge for the financial year	169	77	2,266	2,512
Written off	-	-	(1,367)	(1,367)
At 31 December	2,397	200	19,905	22,502
Net book value at 31 December	1,272	187	2,060	3,519

Work-in-progress for the Group and the Bank is Nil (2019: RM14,173).

15 Right-of-use assets

Carrying amount of right-of-use assets by class of underlying assets are as follows:

	The Group and the Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Building	**2,220**	2,775

Additions to the right-of-use assets during the financial year is nil. Depreciation charge during the financial year for buildings are RM555,000 (2019: RM566,000). At 31 December 2020, the short-term lease expense and low-value leases expense that are not included in lease liabilities are nil (2019: RM382,866) and RM841 (2019: RM398) respectively.

16 Intangible assets

	The Group and the Bank	
	2020	2019
	RM'000	RM'000
Computer software		
Cost		
At 1 January	**137,688**	136,174
Additions	**196**	1,972
Written off	**(42)**	(458)
At 31 December	**137,842**	137,688
Accumulated amortisation		
At 1 January	**73,181**	64,638
Amortisation for the financial year	**8,549**	8,887
Written off	**-**	(344)
At 31 December	**81,730**	73,181
Net book value at 31 December	**56,112**	64,507

The remaining amortisation period of the intangible assets is between 1 and 15 years.

The above intangible assets include computer software under construction at cost of the Group and the Bank of RM26,809 (2019: RM1,097,936).

17 Goodwill

	The Group and the Bank	
	2020	2019
	RM'000	RM'000
Cost		
At 1 January/At 31 December	**136,000**	136,000

Goodwill is wholly allocated to the retail banking cash-generating unit ("CGU"). This CGUs do not carry any intangible assets with indefinite useful life.

Impairment test for goodwill

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2021 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 3.31% (2019: 4.22%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of all the CGU is 8.85% (2019: 7.50%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

In view of the uncertainty in the economic outlook as a result of COVID-19, management have revised the projected cash flows for all CGUs to reflect potential implications of COVID-19 to the CGU and have also applied a more conservative growth rate to derive the recoverable amount. This includes estimation of the impact of prolonged economic downturn on the CGUs cash flow projections and a recovery to overall business outlook in the medium-term horizon.

In addition, the cash flow projections have incorporated probability-weighted multiple scenarios with variation in the assumptions used including growth rates to estimate the expected cash flow under the current uncertain economic condition.

Management has also considered variation in the discount rates and terminal growth rates by at least 100 basis points to assess the sensitivity of goodwill recoverable amounts. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

Impairment charge

There was no impairment charge for the financial year ended 31 December 2020 and 31 December 2019.

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18 Deposits from customers

(i) By type of deposits:

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
a) Savings deposit	**5,195,321**	3,826,600	**5,195,321**	3,826,600
Commodity Murabahah (via Tawarruq arrangement)*	**5,195,321**	3,826,600	**5,195,321**	3,826,600
b) Demand deposit	**15,123,852**	16,089,080	**15,123,852**	16,089,080
Qard	**12,859,028**	14,229,470	**12,859,028**	14,229,470
Commodity Murabahah (via Tawarruq arrangement)*	**2,264,824**	1,859,610	**2,264,824**	1,859,610
c) Term deposit	**75,847,891**	65,187,195	**76,194,517**	65,537,291
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	**46,720,074**	33,238,009	**47,066,700**	33,588,105
Fixed Return Income Account-i (via Tawarruq arrangement)*	**29,028,255**	31,949,186	**29,028,255**	31,949,186
Negotiable Islamic Debt Certificate (NIDC) Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**99,562**	-	**99,562**	-
d) Specific investment account	**98,672**	101,368	**98,672**	101,368
Mudharabah	**98,672**	101,368	**98,672**	101,368
e) Others	**37,173**	28,084	**37,173**	28,084
Qard	**37,173**	28,084	**37,173**	28,084
	96,302,909	85,232,327	**96,649,535**	85,582,423

*included Qard contract of RM429,534,000 (31 December 2019:RM568,659,000)

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

18 Deposits from customers (Continued)

(i) By type of deposits: (Continued)

The maturity structure of term deposits and specific investment accounts are as follows:

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Due within six months	**66,419,984**	57,303,244	**66,766,610**	57,653,340
Six months to less than one year	**9,365,547**	7,819,457	**9,365,547**	7,819,457
One year to less than three years	**134,341**	62,044	**134,341**	62,044
Three years to less than five years	**3,589**	78,735	**3,589**	78,735
Five years and more	**23,102**	25,083	**23,102**	25,083
	75,946,563	65,288,563	**76,293,189**	65,638,659

(ii) By type of customers:

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Government and statutory bodies	**4,755,946**	4,577,626	**4,755,946**	4,577,626
Business enterprises	**29,739,057**	27,191,258	**29,739,057**	27,191,258
Individuals	**29,055,068**	29,695,516	**29,055,068**	29,695,516
Others	**32,752,838**	23,767,927	**33,099,464**	24,118,023
	96,302,909	85,232,327	**96,649,535**	85,582,423

19 Investment accounts of customers

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Mudharabah		
Unrestricted investment accounts		
-without maturity		
Special Mudharabah Investment Account	**831,454**	694,396
-with maturity		
Term Investment Account-i	**1,847,416**	2,754,568
	2,678,870	3,448,964

19 Investment accounts of customers (Continued)

i) Movement in the investment accounts of customers

Mudharabah	The Group and the Bank 31 December 2020 RM'000	31 December 2019 RM'000
Unrestricted Investment Account		
As at 1 January	**3,448,964**	1,769,270
Funding inflows/outflows		
New placement during the year	**3,158,912**	3,127,076
Redemption during the year	**(4,019,728)**	(1,486,460)
Income from investment	**179,291**	75,607
Company's share of profit		
Profit distributed to mudarib	**(88,569)**	(36,529)
As at 31 December	**2,678,870**	3,448,964
Investment asset:		
House financing	**1,192,776**	2,026,931
Hire purchase receivables	**908,062**	1,031,027
Other term financing	**578,032**	391,006
Total investment	**2,678,870**	3,448,964

ii) Profit Sharing Ratio and Rate of Return:

	2020 Investment account holder Average profit sharing ratio (%)	2020 Investment account holder Average rate of return (%)	2019 Investment account holder Average profit sharing ratio (%)	2019 Investment account holder Average rate of return (%)
Unrestricted investment accounts:				
- no specific tenure	**5.00**	**0.15**	5.00	0.21
- less than 1 year	**64.00**	**2.89**	65.63	3.82

iii) By type of customers:

	The Group and the Bank 31 December 2020 RM'000	31 December 2019 RM'000
Business enterprises	**451,629**	314,860
Individuals	**2,227,165**	3,133,989
Others	**76**	115
	2,678,870	3,448,964

20 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Licensed investment banks	**1,050**	226,720
Licensed banks	**2,536,685**	1,772,972
Bank Negara Malaysia	**5,000**	-
Other financial institutions	**256,279**	281,178
	2,799,014	2,280,870

The maturity structure of deposits and placement of banks and other financial institutions are as follows:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Due within six months	**2,645,844**	2,146,694
Six months to one year	**-**	134,176
Three years to five years	**153,170**	-
	2,799,014	2,280,870

Included in deposits and placements by BNM are amount received by the Group and the Bank under government financing scheme as part of the government support measures in response to COVID-19 pandemic for the purpose of SME financing at below market rate with a six year maturity period.

21 Investment accounts due to designated financial institutions

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Restricted investment accounts		
Mudharabah	**4,751,241**	5,021,974
By type of counterparty		
Licensed banks	**4,751,241**	5,021,974

i) Movement in the investment accounts due to designated financial institutions

Mudharabah	The Group and the Bank	
Restricted Profit Sharing Investment Account -RPSIA	**31 December 2020 RM'000**	31 December 2019 RM'000
1 January	**5,021,974**	8,216,809
Funding inflows/outflows		
New placement during the year	**1,578,248**	5,254,108
Redemption during the year	**(1,977,610)**	(8,717,833)
Income from investment	**194,211**	343,313
Bank's share of profit		
Profit distributed to mudarib	**(1,890)**	(3,433)
Incentive fee	**(63,692)**	(70,990)
31 December	**4,751,241**	5,021,974
Investment asset:		
Other term financing	**4,296,603**	4,480,574
Marketable securities	**103,104**	247,748
Miscellaneous other assets	**351,534**	293,652
Total investment	**4,751,241**	5,021,974

21 Investment accounts due to designated financial institutions (Continued)

ii) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	2020			2019		
	Investment account holder			Investment account holder		
	Average profit sharing ratio (%)	**Average rate of return (%)**	**Performance incentive fee (%)**	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts:						
less than 1 year	**99.00**	**2.65**	**1.31**	99.00	3.68	0.99

These placements are the RPSIA placed by CIMB Bank Berhad amounting to RM4,751,241,000 (2019: RM5,021,974,000) for tenures within 4 months at indicative profit rates from 1.79% to 2.28% per annum (2019: 3.11% to 3.80% tenures within 4 months). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

22 Financial liabilities designated at fair value through profit and loss

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Deposits from customers - structured investments	**71,610**	95,499

The Group and the Bank have issued structured investments and have designated them at fair value in accordance with MFRS 9. The Group and the Bank have the option to designate these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of financial liabilities designated at fair value of the Group and the Bank as at 31 December 2020 were RM650,000 (2019: RM3,044,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

23(a) Islamic derivative financial instruments

The following tables summarise the contractual underlying principal amounts of trading derivative and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the date of statement of financial position and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Islamic Derivative Financial Instruments" Assets and Liabilities respectively.

	The Group and the Bank					
	31 December 2020			31 December 2019		
	Principal amount	**Fair values Assets**	**Fair values Liabilities**	Principal amount	Fair values Assets	Fair values Liabilities
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	**9,784,130**	**187,192**	**(256,745)**	8,679,337	221,567	(226,728)
Currency swaps	**8,318,263**	**118,983**	**(83,499)**	10,125,078	61,433	(57,393)
Currency spot	**59,437**	**118**	**(82)**	156,907	50	(95)
Currency option	**264,718**	**947**	**(939)**	44,614	429	(429)
Cross currency profit rate swaps	**1,555,059**	**87,826**	**(85,253)**	1,944,444	109,431	(106,105)
	19,981,607	**395,066**	**(426,518)**	20,950,380	392,910	(390,750)
Profit rate derivatives						
Islamic profit rate swaps	**11,213,722**	**122,486**	**(122,309)**	12,994,193	77,391	(77,168)
Equity related derivatives						
Equity options	**37,194**	**1,717**	**(1,717)**	73,509	1,513	(1,513)
Credit related contracts						
Total return swaps	**41,500**	**2,024**	**(2,024)**	41,500	1,485	(1,485)
Commodity derivatives						
Commodity options	**7,555**	**1,554**	**(1,340)**	31,568	187	(187)
Hedging derivatives						
Islamic profit rate swaps	**78,008**	**-**	**(3,939)**	1,993,931	-	(18,582)
Total derivative assets/(liabilities)	**31,359,586**	**522,847**	**(557,847)**	36,085,081	473,486	(489,685)

23(a) Islamic derivative financial instruments (Continued)

Fair value hedge

The Group and the Bank use Islamic profit rate swaps to hedge its exposure to changes in the fair value of fixed rate financing.

The Group's hedge accounting policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to changes in the benchmark rate of profit with changes in the fair value of the Islamic profit rate swaps.

The Group and the Bank establish the hedge ratio by matching the notional of the derivatives with the principal of the underlying being hedged. Ineffectiveness is recognised on hedge where the change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above profit rate risk, this may arise if differences arise between the credit risk inherent within the hedged item and the hedging instrument. The Group uses collateral/credit enhancement to mitigate the risk. However, the remaining risk can result in hedge ineffectiveness.

The main source of ineffectiveness that are expected to affect the hedging relationship during the financial year are:

- The effect of the counterparty and the Group's own credit risk on the fair value of the Islamic profit rate swaps which is not reflected in the fair value of the hedged item attributable to the change in profit rate; and

- Differences in maturities and reset dates of the Islamic profit rate swaps and the fixed rate financing.

23(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

The Group and the Bank uses the following items as hedging instruments in fair value hedges:

			Maturity		
31 December 2020	**Less than 1 month**	**1-3 months**	**3 months-1 year**	**1-5 years**	**More than 5 years**
Profit rate risk					
Islamic profit rate swaps (USD)					
Nominal amount (RM'000)	-	-	-	78,008	-
Average fixed profit rate	-	-	-	3.03%	-

			Maturity		
31 December 2019	**Less than 1 month**	**1-3 months**	**3 months-1 year**	**1-5 years**	**More than 5 years**
Profit rate risk					
Islamic profit rate swaps (MYR)					
Nominal amount (RM'000)	-	-	1,900,000	-	-
Average fixed profit rate	-	-	4.49%	-	-
Islamic profit rate swaps (USD)					
Nominal amount (RM'000)	-	-	-	-	93,931
Average fixed profit rate	-	-	-	-	3.03%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

		Fair values*				
31 December 2020	**Nominal amount**	**Assets**	**Liabilities**	**Changes in fair value used for calculating hedge ineffectiveness**	**Hedge ineffectiveness recognised in profit or loss****	**Nominal amount directly impacted by IBOR reform*****
Profit rate risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Islamic profit rate swaps (MYR)	**-**	**-**	**-**	**8,182**	**550**	**-**
Islamic profit rate swaps (USD)	**78,008**	**-**	**(3,939)**	**(2,378)**	**15**	**78,008**

		Fair values*			
31 December 2019	**Nominal amount**	**Assets**	**Liabilities**	**Changes in fair value used for calculating hedge ineffectiveness**	**Hedge ineffectiveness recognised in profit or loss****
Profit rate risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Islamic profit rate swaps (MYR)	1,900,000	-	(17,115)	24,490	(2,149)
Islamic profit rate swaps (USD)	93,931	-	(1,467)	(2,994)	(13)

*All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.
**All hedge ineffectiveness are recognised in the "Income derived from investment of shareholder's funds" in the statement of income.
***Of the RM78,007,606 nominal amount of USD profit rate swaps above, nil nominal amount will mature before the anticipated USD LIBOR replacement in 2021

23(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

Effect of IBOR Reform - significant assumption.

In calculating the change in fair value attributable to the hedged risk for the fixed-rate financing, the Group and the Bank has made the following assumptions that reflect its current expectations:

- The Group and the Bank has applied the assumptions afforded by IFRS/MFRS 9 6.8 where applicable;
- The Group and the Bank will cease applying IFRS/MFRS 9 6.8 prospectively when the uncertainty arises from IBOR reform is no longer exist and/or when the hedging relationship discontinued
- No other changes to the terms of the hedged item is anticipated

The amounts relating to items designated as hedged items were as follows:

31 December 2020	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the SOFP in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged items	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000		RM'000	RM'000
MYR fixed rate financing	-	-	-	-	Financing, advances and other financing/loans	(7,633)	-
USD fixed rate financing	82,158	-	3,835	-	Financing, advances and other financing/loans	2,393	-

31 December 2019	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the SOFP in which the hedged item is included	Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
Hedged items	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000		RM'000	RM'000
MYR fixed rate financing	1,920,779	-	7,857	(224)	Financing, advances and other financing/loans	(26,639)	1,449
USD fixed rate financing	95,678	-	1,442	-	Financing, advances and other financing/loans	2,981	-

23(b) Commitments and contingencies

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers.

These commitments and contingencies are not secured over the assets of the Group and the Bank, except for certain financial assets at fair value through profit or loss being pledged as credit support assets for certain over-the-counter derivative contracts.

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

The notional/principal amount of the commitments and contingencies constitute the following:

	The Group and the Bank	
	31 December 2020	31 December 2019
	Principal amount RM'000	Principal amount RM'000
Credit-related		
Direct credit substitutes	**291,893**	240,068
Transaction-related contingent items	**697,011**	856,656
Short-term self-liquidating trade-related contingencies	**75,486**	39,114
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**11,469,447**	9,121,517
- maturity exceeding one year	**7,541,999**	7,801,106
Miscellaneous commitments and contingencies	**24,219**	44,919
Total credit-related commitments and contingencies	**20,100,055**	18,103,380

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23(b) Commitments and contingencies (Continued)

	The Group and the Bank	
	31 December 2020	31 December 2019
	Principal amount	Principal amount
Treasury-related	**RM'000**	RM'000
Foreign exchange related contracts:		
- less than one year	**18,304,042**	18,164,667
- one year to five years	**825,356**	1,652,679
- more than five years	**852,209**	1,133,034
	19,981,607	20,950,380
Profit rate related contracts:		
- less than one year	**6,537,030**	4,296,162
- one year to five years	**3,683,709**	10,026,805
- more than five years	**1,070,991**	665,157
	11,291,730	14,988,124
Equity related contracts:		
- less than one year	**24,956**	-
- one year to five years	**-**	23,358
- more than five years	**12,238**	50,151
	37,194	73,509
Commodity related contract:		
- less than one year	**4,732**	31,568
- one year to five years	**2,823**	-
	7,555	31,568
Credit related contracts:		
- more than five years	**41,500**	41,500
Total treasury-related commitments and contingencies	**31,359,586**	36,085,081
	51,459,641	54,188,461

24 Other liabilities

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Accruals and other payables	**53,168**	233,693	**53,168**	149,934
Clearing accounts	**170,168**	205,908	**170,168**	205,908
Expected credit losses for commitments and contigencies	**76,450**	45,543	**76,450**	45,543
Collateral received for derivative transactions	**86,100**	22,410	**86,100**	22,410
Structured deposits	**38,448**	46,525	**38,448**	46,525
Treasury related payables	**13,960**	94,650	**13,960**	94,650
Others	**32,111**	18,013	**31,023**	16,810
	470,405	666,742	**469,317**	581,780

Included in accruals and other payables in 2019 is funding received by the Bank, via issuance of Sukuk from Ziya [(2020:RM RM160,976,000) in other assets (Refer to Note 8)]. At the Group level, due to the consolidation of Ziya, the funding is eliminated and reclassified under Sukuk (Refer to Note 27).

(a) Expected credit losses movement of financing commitments and contingencies are as follows:

The Group and the Bank	**12-month expected credit losses (Stage 1) RM'000**	**Lifetime expected credit losses -not credit impaired (Stage 2) RM'000**	**Lifetime expected credit losses -Credit impaired (Stage 3) RM'000**	**Total RM'000**
At 1 January 2020	**36,471**	**6,572**	**2,500**	**45,543**
Changes in expected credit losses due to transferred within stages:	**1,427**	**(4,348)**	**2,921**	**-**
Transferred to Stage 1	**7,306**	**(6,029)**	**(1,277)**	**-**
Transferred to Stage 2	**(5,868)**	**7,771**	**(1,903)**	**-**
Transferred to Stage 3	**(11)**	**(6,090)**	**6,101**	**-**
Total charge to Income Statement:	**8,224**	**21,473**	**1,235**	**30,932**
New exposures	**70,168**	**183**	**-**	**70,351**
Exposures derecognised or matured	**(30,359)**	**(4,816)**	**(1,068)**	**(36,243)**
Change in credit risk	**(31,585)**	**26,106**	**2,303**	**(3,176)**
Other movements	**730**	**(631)**	**(124)**	**(25)**
At 31 December 2020	**46,852**	**23,066**	**6,532**	**76,450**

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24 Other liabilities (Continued)

(a) Expected credit losses movement of financing commitments and contingencies are as follows: (Continued)

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses -not credit impaired (Stage 2) RM'000	Lifetime expected credit losses -Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2019	59,997	3,724	1,550	65,271
Changes in expected credit losses due to transferred within stages:	16,606	(13,634)	(2,972)	-
Transferred to Stage 1	17,920	(14,663)	(3,257)	-
Transferred to Stage 2	(1,280)	3,390	(2,110)	-
Transferred to Stage 3	(34)	(2,361)	2,395	-
Total charge to Income Statement:	(39,795)	16,199	3,804	(19,792)
New exposures	77,526	4	-	77,530
Exposures derecognised or matured	(14,269)	(1,325)	(116)	(15,710)
Change in credit risk	(103,052)	17,520	3,920	(81,612)
Other movements	(337)	283	118	64
At 31 December 2019	36,471	6,572	2,500	45,543

As at 31 December 2020, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM40,036,000 (2019: RM27,145,000).

25 Lease liabilities

	The Group and the Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Building	**2,365**	2,854

26 Recourse obligation on loans and financing sold to Cagamas

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under this agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

27 Sukuk

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Ziya Capital Berhad	**186,155**	266,222	**-**	-

On 12 August 2016, Ziya issued RM630 million Sukuk which bears a periodic distribution rate of 3.38% per annum. The Sukuk is subject to monthly redemption with final redemption due on 23 July 2021. RM80 million of the Sukuk was partially redeemed during the year.

28 Subordinated Sukuk

		The Group and the Bank	
		31 December 2020	31 December 2019
	Note	**RM'000**	RM'000
Subordinated Sukuk 2016/2026 RM10 million	(a)	**10,127**	10,124
Subordinated Sukuk 2017/2027 RM300 million	(b)	**300,155**	300,077
Subordinated Sukuk 2019/2029 RM800 million	(c)	**808,054**	808,054
		1,118,336	1,118,255

(a) Subordinated Sukuk 2016/2026 RM10 million

On 21 September 2016, the Bank had issued RM10 million Tier II Junior Sukuk ("the Sukuk") at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM10 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of the Bank.

28 Subordinated Sukuk (Continued)

(b) Subordinated Sukuk 2017/2027 RM300 million

On 28 December 2017, the Bank had issued RM300 million Tier II Junior Sukuk ("the Sukuk") at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier II capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of the Bank.

(c) Subordinated Sukuk 2019/2029 RM800 million

On 25 September 2019, the Bank had issued RM800 million Tier II Junior Sukuk ("the Sukuk") at par and is due on 25 September 2029, with optional redemption on 25 September 2024 or any periodic payment date thereafter. The Sukuk bears a profit rate of 3.75% per annum.

The Sukuk is part of the Basel III Tier II Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier II capital of up to RM5.0 billion nominal value outstanding at any one time.

The RM800 million Sukuk qualify as Tier II Capital for the purpose of the total capital ratio computation of the Bank.

29 Perpetual preference shares

	The Group and the Bank	
	2020	2019
	RM'000	RM'000
Issued and fully paid		
Perpetual preference shares:		
At 1 January	**220,000**	220,000
Issued during the financial year	**200,000**	-
At 31 December	**420,000**	220,000

The preference shares shall rank pari passu among themselves, and in priority to the ordinary shares.

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash payment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of the Bank and the costs of winding up or such capital reduction exercise.

A preference share shall not entitle its holder to participate in the surplus assets and profits of the Bank beyond such redemption rights as are expressly set out in these Articles.

The Bank may declare dividends on any of the preference shares.

The preference shares are not convertible to ordinary shares or any other class of share of the Bank.

30 Ordinary share capital

	The Group and the Bank	
	2020	2019
	RM'000	RM'000
Issued and fully paid		
Ordinary shares:		
At 1 January/31 December	**1,000,000**	1,000,000

31 Reserves

		The Group		The Bank	
		31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Merger reserve	(a)	**(2,457)**	(2,457)	**(2,457)**	(2,457)
Capital reserve	(b)	**458**	458	**458**	458
Regulatory reserve	(c)	**213,032**	513,533	**213,032**	513,533
Share-based payment reserve	(d)	**1,225**	1,231	**1,225**	1,231
Fair value reserve					
-Debt intruments at fair value through other comprehensive income	(e)	**31,312**	22,839	**31,312**	22,839
Other reserves					
- Own credit risk reserve	(f)	**-**	(31)	**-**	(31)
Retained earnings		**5,369,202**	4,575,241	**5,370,464**	4,576,294
		5,612,772	5,110,814	**5,614,034**	5,111,867

(a) Merger reserves, which are non-distributable, relate to the difference between the cost of the merger between the Bank and the Islamic banking operation of CIMB Bank Berhad, and the value of the net assets and reserves transferred to the Bank.

(b) Capital reserves, which are non-distributable, relate to the retained earnings of the Islamic banking business of CIMB Bank Berhad which were transferred to the Bank, arising from the business combination under common control using the predecessor basis of accounting in the financial year 2007.

(c) Regulatory reserve of the Group is maintained by the Bank, which is transferred from the retained earnings, as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology.

BNM guideline on Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

In 2020, the regulatory reserve held against expected losses is reduced to 0%, a COVID-19 related measure to drawdown prudential buffers as permitted by BNM. As at 31 December 2020, the regulatory reserve is maintained to meet the local regulatory requirement of the Group.

(d) Share-based payment reserve arose from Employee Ownership Plan, the Group's and the Bank's share-based compensation benefits.

(e) For debt instruments at FVOCI, changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit and loss when the investment is disposed of.

(f) Changes in fair value relating to the Group's own credit risk are recognised in other comprehensive income. These changes are also accumulated within own credit risk reserve within equity.

32 Restricted Agency Investment Account

(i) The details of the Restricted Agency Investment Account ("RAIA") financing are as below. The exposures and corresponding risk weighted amount are reported in investors' financial statements.

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
RAIA arrangement		
Financing and advances	5,030,980	6,231,742
Commitments and contingencies	3,700,000	-
	8,730,980	6,231,742

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Total RWA for Credit Risk	209,266	343,110
	209,266	343,110

RAIA arrangement is with the Bank's holding company, CIMB Bank Berhad, and the contract is based on the Wakalah principle where CIMB Bank Berhad provides the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). In the arrangement, the Bank has transferred substantially all the risk and rewards of ownership of the Investment (i.e. the financing facility) to CIMB Bank Berhad. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and allowance for impairment arising thereon, if any, are recognised and accounted for by CIMB Bank Berhad.

The recognition and derecognition of the above are in accordance to Note F and H in the financial statements of the Group and the Bank for the financial year ended 31 December 2020.

32 Restricted Agency Investment Account (Continued)

ii) Movement in the Investment Account

Wakalah	The Group and the Bank	
Restricted Agency Investment Account -RAIA	31 December 2020 RM'000	31 December 2019 RM'000
As at 1 January	**6,231,742**	5,530,998
Funding inflows/outflows		
New placement during the year	**2,300,000**	2,200,000
Redemption during the year	**(4,180,694)**	(2,004,202)
Income from investment	**679,932**	504,946
As at 31 December	**5,030,980**	6,231,742

Investment asset:		
Revolving credit	**-**	2,201,326
Other term financing	**5,030,980**	4,030,416
Total investment	**5,030,980**	6,231,742

iii) Rate of Return

	Investment account holder Average rate of return	
	2020 %	2019 %
Restricted investment accounts:		
1 month or less	**2.76**	4.05
more than 1 month to 3 months	**3.28**	3.89
more than 3 month to 6 months	**3.30**	-
more than 4 years to 5 years	**3.42**	-
more than 5 years	**4.59**	4.80

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

33 Income derived from investment of depositors' funds and others

	Note	The Group and the Bank 31 December 2020 RM'000	31 December 2019 RM'000
Income derived from investment of:			
- General investment deposits	(i)	**2,835,821**	3,066,957
- Specific investment deposits	(ii)	**2,515**	3,110
- Other deposits	(iii)	**1,065,964**	1,118,861
		3,904,300	4,188,928

(i) Income derived from investment of general investment deposits

	The Group and the Bank 31 December 2020 RM'000	31 December 2019 RM'000
Financing, advances and other financing/loans:		
- Profit income	**2,102,776**	2,300,889
- Unwinding income*	**26,930**	21,821
Debt instruments at fair value through other comprehensive income	**98,999**	97,607
Debt instruments at amortised cost	**232,458**	216,111
Money at call and deposit with financial institutions	**153,805**	196,874
	2,614,968	2,833,302
Accretion of discount less amortisation of premium	**(17,057)**	(5,294)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	**40,547**	70,705
- Financing, advances and other financing/loans	**6,204**	8,920
- Net accretion of discount less amortisation of premium	**55,404**	69,154
Total finance income and hibah	**2,700,066**	2,976,787
Other operating income		
Net gain from financial assets at fair value through profit or loss:		
- realised	**20,648**	20,646
- unrealised	**2,433**	523
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**61,236**	63,117
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	**(1,749)**	(1,820)
Net gain/(loss) from foreign exchange transactions	**46,671**	(2,268)
	129,239	80,198
Fee and commission income		
- Guarantee fee	**6,516**	9,972
	2,835,821	3,066,957

**Unwinding income is income earned on impaired financial assets.*

33 Income derived from investment of depositors' fund and others (Continued)

(ii) Income derived from investment of specific investment deposits

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Money at call and deposit with financial institutions	**2,515**	3,110

(iii) Income derived from investment of other deposits

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Financing, advances and other financing/loans:		
- Profit income	**790,114**	839,726
- Unwinding income*	**10,106**	8,070
Debt instruments at fair value through other comprehensive income	**37,180**	35,616
Debt instruments at amortised cost	**87,269**	79,028
Money at call and deposit with financial institutions	**57,798**	71,417
	982,467	1,033,857
Accretion of discount less amortisation of premium	**(6,380)**	(1,997)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	**15,280**	25,874
- Financing, advances and other financing/loans	**2,334**	3,325
- Net accretion of discount less amortisation of premium	**20,833**	25,197
Total finance income and hibah	**1,014,534**	1,086,256
Other operating income		
Net gain from financial assets at fair value through profit or loss:		
- realised	**7,811**	7,424
- unrealised	**953**	165
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**23,346**	22,848
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	**(631)**	(654)
Net gain/(loss) from foreign exchange transactions	**17,500**	(832)
	48,979	28,951
Fees and commission income		
- Guarantee fee	**2,451**	3,654
	1,065,964	1,118,861

**Unwinding income is income earned on impaired financial assets*

34 Income derived from investment of investment account

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Financing, advances and other financing/loans:		
- Profit income	**359,324**	387,308
Money at call and deposit with financial institutions	**5,963**	28,342
Fees and commission income		
- Service charge and fee	**5**	20
	365,292	415,670

35 Income derived from investment of shareholder's fund

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Financing, advances and other financing/loans:				
- Profit income	**187,226**	198,878	**187,226**	198,878
- Unwinding income*	**2,395**	1,885	**2,395**	1,885
Debt instruments at fair value through other comprehensive income	**8,786**	8,436	**8,786**	8,436
Debt instruments at amortised cost	**20,624**	18,681	**20,624**	18,681
Money at call and deposits with financial institutions	**13,693**	17,023	**13,693**	17,023
	232,724	244,903	**232,724**	244,903
Accretion of discount less amortisation of premium	**(1,493)**	(456)	**(1,493)**	(456)
Other finance income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	**3,653**	6,111	**3,653**	6,111
- Financing, advances and other financing/loans	**554**	777	**554**	777
- Net accretion of discount less amortisation of premium	**4,964**	5,973	**4,964**	5,973
Total finance income and hibah	**240,402**	257,308	**240,402**	257,308
Other operating income				
Net gain from financial assets at fair value through profit or loss:				
- realised	**1,832**	1,795	**1,832**	1,795
- unrealised	**226**	43	**226**	43
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**5,604**	5,460	**5,604**	5,460
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	**(144)**	(157)	**(144)**	(157)
Net gain/(loss) from foreign exchange transactions	**4,092**	(186)	**4,092**	(186)
Net gain/(loss) from hedging activities	**565**	(2,162)	**565**	(2,162)
Net (loss)/gain from derivative financial instruments:				
- realised	**(770)**	64,099	**(770)**	64,099
- unrealised	**(33,249)**	(15,685)	**(33,249)**	(15,685)
Net (loss)/gain arising from financial liabilities designated at fair value through profit or loss				
- realised	**(923)**	(839)	**(923)**	(839)
- unrealised	**(2,426)**	1,840	**(2,426)**	1,840
	(25,193)	54,208	**(25,193)**	54,208
Fees and commission income				
- Guarantee fee	**581**	863	**581**	863
- Service charge and fee	**51,663**	66,615	**52,486**	68,432
- Commission fee	**122,599**	88,998	**122,599**	88,998
Total fee and commission income	**174,843**	156,476	**175,666**	158,293
Less : Fee and commission expense	**(22,137)**	(20,105)	**(22,137)**	(20,105)
Net fees and commision income	**152,706**	136,371	**153,529**	138,188
Other income	**1,018**	1,917	**1,018**	1,917
	368,933	449,804	**369,756**	451,621

**Unwinding income is income earned on impaired financial assets*

36 Modification loss

		The Group and the Bank	
		31 December 2020 RM'000	31 December 2019 RM'000
Loss on modification of cash flows	(i)	**341,954**	-
Benefits recognised under the various Government scheme	(ii)	**(156,150)**	-
Net loss on modification of cash flows		**185,804**	-

In light of the COVID-19 outbreak, BNM and Ministry of Finance introduced several relief measures to assist customers. These measures aim to ensure that the financial intermediation function of the financial sector remains intact, access to financial continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances.

(i) During the financial year, the Group granted an automatic moratorium on certain financing, advances and other financing repayments (except for credit card balances), by individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing, advances and other financing/loans that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist customer experiencing temporary financial constraints due to the COVID-19 pandemic. As a result of the payment moratorium, the Group and the Bank have recognised a loss arising from the modification of contractual cash flows of the financing, advances and other financing/loans.

(ii) The Group also received financing facility from the Government for the purpose of on-lending to SMEs at below market or concession rates. The financing by the Group is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefits under the government financing facility that are recognised in the profit or loss of the Group and the Bank, are applied to address the financial and accounting impact incurred by the Group and the Bank for COVID-19 related relief measures.

37 Expected credit losses on financing, advances and other financing/loans

	The Group and the Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Expected credit losses on financing, advances and other financing/loans at amortised cost	**626,411**	100,155
Impaired financing, advances and other financing/loans:		
- recovered	**(48,812)**	(52,916)
- written off	**2,863**	2,033
	580,462	49,272

38 Other expected credit losses (written back)/made

	The Group and the Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Expected credit losses (written back)/made on:		
- Debt instruments at fair value through other comprehensive income	**66**	731
- Debt instruments at amortised cost	**(211)**	188
- Money at call and deposits and placements with banks and other financial institutions	**-**	(186)
- Other assets	**(16)**	(12)
	(161)	721

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

39 Income attributable to depositors and others

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Deposits from customers:				
- Mudharabah	**2,515**	3,115	**2,515**	3,115
- Non-Mudharabah	**1,944,888**	2,461,354	**1,944,888**	2,461,354
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah	**28,086**	61,029	**28,086**	61,029
Others				
- Financial liabilities designated at fair value through profit or loss	**2,000**	1,786	**2,000**	1,786
- Subordinated Sukuk	**44,678**	35,409	**44,678**	35,409
- Recourse obligation on loans and financing sold to Cagamas	**47,369**	69,188	**47,369**	69,188
- Sukuk	**7,782**	10,710	**-**	-
- Structured deposits	**652**	766	**652**	766
- Lease liabilities	**102**	124	**102**	**124**
- Collateralised Commodity Murabahah	**292**	-	**292**	-
- Others	**-**	-	**8,538**	12,483
	2,078,364	2,643,481	**2,079,120**	2,645,254

40 Profit distributed to investment account holder

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
- Restricted	**128,629**	268,890
- Unrestricted	**90,722**	39,078
	219,351	307,968

41 Personnel costs

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Salaries, allowances and bonuses	**17,917**	23,342
Pension costs (defined contribution plan)	**1,895**	2,260
Staff incentives and other staff payments	**492**	259
Transformation initiative expenses	**-**	3,062
Medical expenses	**242**	203
Others	**395**	496
	20,941	29,622

42 Other overheads and expenditures

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Establishment costs				
Depreciation of property, plant and equipment	**1,454**	2,512	**1,454**	2,512
Amortisation of intangible assets	**8,549**	8,887	**8,549**	8,887
Rental	**179**	518	**179**	518
Security expenses	**18**	19	**18**	19
Utility expenses	**25**	34	**25**	34
Others	**2,588**	3,385	**2,588**	3,385
Marketing expenses				
Advertisement and publicity	**2,898**	4,777	**2,898**	4,777
Others	**2,113**	6,295	**2,113**	6,295
Administration and general expenses				
Consultancy and professional fees	**1,109**	10,522	**1,109**	10,522
Legal expenses	**155**	75	**155**	75
Stationery	**285**	471	**285**	471
Postages	**4,422**	1,461	**4,422**	1,461
Donation	**1,795**	2,792	**1,795**	2,792
Incidental expenses on banking operations	**4,728**	4,684	**4,728**	4,684
Takaful	**6,068**	10,254	**6,068**	10,254
Group service expense #	**841,851**	853,772	**841,851**	853,772
Others	**11,944**	20,241	**11,802**	20,098
	890,181	930,699	**890,039**	930,556

 # In 2019, the Bank has changed its shared services operating model from cost sharing arrangement to service agreement arrangement.

42 Other overheads and expenditures (Continued)

The personnel expenses and other overhead and expenditures include the following statutory disclosures:

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Directors remuneration (Note 43)	**3,216**	6,510	**3,216**	6,510
Auditors' remuneration :				
PricewaterhouseCoopers Malaysia firm				
- statutory audit	**454**	403	**448**	397
- limited review	**77**	71	**77**	71
- other audit related	**50**	244	**50**	244
- non-audit services	**32**	47	**32**	47

43 Directors and Shariah Committee Members remuneration

The Directors of the Bank in office during the financial year were as follows:

<u>Executive Director</u>
Ahmad Shahriman bin Mohd Shariff

<u>Non-Executive Directors</u>
Dato' Mohamed Ross bin Mohd Din
Ho Yuet Mee
Ahmed Baqar Rehman
Jalalullail Othman
Rosnah binti Dato' Kamarul Zaman (Retired on 18 January 2021)

The Directors and Shariah Committee members of the Group and the Bank and their total remuneration during the financial year are analysed below:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Executive Director		
- Salary and other remuneration	**1,407**	4,407
- Benefits-in-kind	**7**	306
Non-Executive Directors		
- Fees	**745**	753
- Other remuneration	**1,011**	1,013
- Benefits-in-kind	**46**	31
Shariah Committee members		
- Fees	**736**	688
- Other remuneration	**206**	160
	4,158	7,358

43 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
2020				
Executive Directors				
Ahmad Shahriman bin Mohd Shariff	**-**	**1,407**	**7**	**1,414**
Non-Executive Directors				
Dato' Mohamed Ross bin Mohd Din	**131**	**274**	**46**	**451**
Rosnah binti Dato' Kamarul Zaman	**131**	**176**	**-**	**307**
Ho Yuet Mee	**131**	**193**	**-**	**324 ***
Ahmed Baqar Rehman	**221**	**238**	**-**	**459**
Jalalullail Othman	**131**	**130**	**-**	**261**
	745	**1,011**	**46**	**1,802**
Shariah Committee members				
Dr. Shafaai bin Musa	**135**	**23**	**-**	**158**
Associate Professor Dr. Aishath Muneeza	**82**	**23**	**-**	**105**
Ahmed Baqar Rehman	**90**	**23**	**-**	**113**
Professor Dr. Yousef Abdullah Al Shubaily	**201**	**80**	**-**	**281**
Dr. Nedham Yaqoobi	**100**	**30**	**-**	**130**
Dr Ahmad Sufian Che Abdullah	**90**	**23**	**-**	**113**
Associate Prof Dr Mohamed Fairooz Abdul Khir	**38**	**4**	**-**	**42**
	736	**206**	**-**	**942**
	1,481	**2,624**	**53**	**4,158**

** includes amount receivable from a related company.*

Note: The Directors and officers of the Group and of the Bank are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Bank amounted to RM196,912 (2019: RM305,598) respectively.

43 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
2019				
Executive Directors				
Ahmad Shahriman bin Mohd Shariff	-	270	2	272
Mohamed Rafe bin Mohamed Haneef	-	4,137	304	4,441
	-	4,407	306	4,713
Non-Executive Directors				
Dato' Mohamed Ross bin Mohd Din	140	323	31	494
Rosnah binti Dato' Kamarul Zaman	140	200	-	340
Ho Yuet Mee	140	75	-	215
Ahmed Baqar Rehman	193	255	-	448
Jalalullail Othman	140	160	-	300
	753	1,013	31	1,797
Shariah Committee members				
Dr. Shafaai bin Musa	119	15	-	134
Associate Professor Dr. Aishath Muneeza	92	15	-	107
Ahmed Baqar Rehman	52	12	-	64
Professor Dr. Yousef Abdullah Al Shubaily	205	41	-	246
Dr. Nedham Yaqoobi	205	72	-	277
Dr Ahmad Sufian Che Abdullah	15	5	-	20
	688	160	-	848
	1,441	5,580	337	7,358

44 Taxation and zakat

	The Group	
	31 December 2020	31 December 2019
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**197,440**	270,905
Deferred taxation (Note 9)	**(60,914)**	(3,563)
(Over)/under provision in prior years	**(235)**	53,379
	136,291	320,721
Zakat	**2,900**	3,700
	139,191	324,421
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**632,651**	1,112,431
Tax calculated at a rate of 24% (2019: 24%)	**151,836**	266,983
Tax effects:		
- income not subject to tax	**(18,727)**	(7,765)
- expenses not deductible for tax purposes	**3,417**	8,124
(Over)/under provision in prior years	**(235)**	53,379
Tax expense	**136,291**	320,721

	The Bank	
	31 December 2020	31 December 2019
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**197,440**	270,905
Deferred taxation (Note 9)	**(60,914)**	(3,563)
(Over)/under provision in prior years	**(235)**	53,379
	136,291	320,721
Zakat	**2,900**	3,700
	139,191	324,421
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**632,860**	1,112,618
Tax calculated at a rate of 24% (2019: 24%)	**151,886**	267,028
Tax effects:		
- income not subject to tax	**(18,727)**	(7,765)
- expenses not deductible for tax purposes	**3,367**	8,079
(Over)/under provision in prior years	**(235)**	53,379
Tax expense	**136,291**	320,721

45 Earnings per share

(a) Basic earnings per share

The basic earnings per ordinary share for the Group and the Bank are calculated based on the net profit for the financial year of RM493,460,000 (2019: RM788,010,000) and RM493,669,000 (2019: RM788,197,000) respectively divided by the weighted average number of ordinary shares of 1,000,000,000 (2019: 1,000,000,000) in issue during the financial year respectively.

(b) Diluted earnings per share

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

46 Significant related party transactions and balances

For the purposes of these financial statements, parties (both companies and key management personnel) are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence.

The Group and the Bank have related party relationships with their holding companies, subsidiaries, associates and joint ventures of holding companies and key management personnel.

46 Significant related party transactions and balances (Continued)

(a) Related parties and relationship

The related parties of, and their relationship with the Bank, are as follows:

Related parties	**Relationship**
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn. Bhd.	Penultimate holding company
CIMB Bank Berhad	Immediate holding company
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Subsidiary
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Subsidiary
Ziya Capital Berhad	Subsidiary
Subsidiaries of CIMB Group Holdings Berhad as disclosed in its financial statements	Subsidiaries of ultimate holding company
Subsidiaries of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Subsidiaries of penultimate holding company
Subsidiaries of CIMB Bank Berhad as disclosed in its financial statements	Subsidiaries of immediate holding company
Associates and joint venture of CIMB Group Holdings Berhad as disclosed in its financial statements	Associates and joint venture of ultimate holding company
Associates and joint venture of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Associates and joint venture of penultimate holding company
Joint venture of CIMB Bank Berhad as disclosed in its financial statements	Joint venture of immediate holding company
Key management personnel	See below

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank include all the Directors of the Bank and its employees who make certain critical decisions in relation to the strategic direction of the Bank.

46 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on agreed terms with the related party.

The Group and the Bank	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2020			
Income			
Fee income	-	926	-
Profit income on deposits and placement with banks and other financial institutions	2,758	-	-
Profit income on financing, advances and other financing/loans	-	-	2,131
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	10,028	1,527	4
Profit expense on deposits from customers	-	823	-
Profit expense on Investment accounts due to designated financial institutions	128,629	-	-
Profit expense on subordinated sukuk	44,678	-	-
Profit expense on sukuk	-	7,665	-
Group services expense	831,966	9,885	-
Security expenses	-	18	-
Professional Fees	-	178	-

46 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on agreed terms with the related party. (Continued)

	Immediate holding company	Other related companies	Key management personnel
The Group and the Bank	RM'000	RM'000	RM'000
2019			
Income			
Fee income	-	2,041	-
Profit income on deposits and placement with banks and other financial institutions	16,690	2	-
Profit income on financing, advances and other financing/loans	-	-	26
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	31,199	6,710	5
Profit expense on deposits from customers	-	1,211	-
Profit expense on Investment accounts due to designated financial institutions	268,890	-	-
Profit expense on subordinated sukuk	22,651	5,112	-
Profit expense on sukuk	-	12,483	-
Group services expense	844,205	9,567	-
Security expenses	-	311	-
Professional Fees	-	8,480	-

46 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on agreed terms with the related party. (Continued)

The Group and the Bank	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2020			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions and other financial institutions	135,793	2,076	-
Financing, advances and other financing/loans	-	-	2,348
Derivatives	329,622	-	-
Others	25,250	-	-
Amounts due to			
Deposit from customers	-	405,138	1,232
Deposits and placements of banks and other financial institutions	1,854,075	1,050	-
Investment accounts due to designated financial institutions	4,751,241	-	-
Subordinated sukuk	1,118,336	-	-
Derivatives	199,253	-	-
Others	64,820	186,155	-
Commitment and contingencies			
Foreign exchange related contracts	10,573,577	-	-
Equity related contracts	18,597	-	-
Profit rate related contracts	5,250,443	-	-
Commodity related contracts	3,786	-	-
Credit related contract	20,750	-	-

46 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on agreed terms with the related party. (Continued)

	Immediate and ultimate holding company	Other related companies	Key management personnel
The Group and the Bank	RM'000	RM'000	RM'000
2019			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	475,961	13,729	-
Financing, advances and other financing/loans	-	-	2,127
Derivatives	86,174	-	-
Amounts due to			
Deposit from customers	-	405,183	42
Deposits and placements of banks and other financial institutions	1,772,972	880	-
Investment accounts due to designated financial institutions	5,021,974	-	-
Subordinated sukuk	1,118,255	-	-
Derivatives	194,617	-	-
Others	605	266,222	-
Commitment and contingencies			
Foreign exchange related contracts	11,746,564	-	-
Equity related contracts	36,755	-	-
Profit rate related contracts	8,074,365	-	-
Credit related contract	20,750	-	-

Other related party balances are unsecured, non-profit bearing and repayable on demand.

46 Significant related party transactions and balances (Continued)

(c) Related party expenses transaction by geographical

	31 December 2020 The Group and the Bank		
	Profit Expense RM'000	Group services expense RM'000	Others RM'000
Malaysia	**193,355**	**841,851**	**196**

	31 December 2019 The Group and the Bank		
	Profit Expense RM'000	Group services expense RM'000	Others RM'000
Malaysia	348,261	853,772	8,791

(d) Key management personnel

Key management compensation

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Salaries and other employee benefits	**22,553**	20,633

	The Group and the Bank	
	31 December 2020 Unit	31 December 2019 Unit
Shares of the ultimate holding company	**661,375**	207,719

Financing to Directors of the Bank amounting to RM2,081,719 (2019: RM1,894,546). Financing made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group.

46 Significant related party transactions and balances (Continued)

(e) Credit transactions and exposures with connected parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised 'Guidelines on Credit Transactions and Exposures with Connected Parties' which became effective in 2008 are as follows:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Outstanding credit exposures with connected parties	**943,065**	1,604,914
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**0.7%**	1.4%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0%**	0.0%

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 27.2% of the issued capital of the ultimate holding company (2019: 23.8%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

The Group and the Bank have collectively, but not individually, entered into significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Financing to government-related entities
- Deposit placing with and deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's and the Bank's business on agreed terms.

46 Significant related party transactions and balances (Continued)

(g) Equity Ownership Plan ("EOP")

The EOP was introduced on 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group to selected employees of the Bank. Under the EOP, earmarked portions of variable remuneration of selected employees of the Bank will be utilised to purchase ordinary shares of CIMB Group from the market. The purchased shares will be released progressively to the eligible employees at various dates after the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will cease to be transferable to the employee and will be disposed accordingly. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM1,336,465 (2019: RM1,272,251).

The weighted average fair value of shares awarded under EOP was RM3.54 per ordinary share (2019: RM5.19), based on market price during the period in which they were purchased.

Movements in the number of CIMB Group's ordinary shares awarded are as follows:

	The Group and the Bank	
	2020	2019
	Unit	Unit
	'000	'000
Shares :		
At 1 January	**741**	727
Awarded	**610**	508
Released	**(444)**	(494)
At 31 December	**907**	741

47 Capital commitments

Capital expenditure approved by Directors but not provided for in the Financial Statements are as follows:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Capital expenditure:		
- authorised and contracted for	**740**	759
- authorised but not contracted for	**14,786**	4,133
	15,526	4,892

Analysed as follows:

	The Group and the Bank	
	31 December 2020 RM'000	31 December 2019 RM'000
Property, plant and equipment	**5,596**	4,013
Computer software	**9,930**	879
	15,526	4,892

48 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision-maker.

Segment information is presented in respect of the Group's business segment. The Group's operations are principally conducted in Malaysia and accordingly no analysis in respect of geographical segments has been presented.

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure.

(i) Business segment reporting

Definition of segments

The Group has five major operation divisions that form the basis on which the Group reports its segment information.

Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering Islamic financial products and services such as residential property financing, non-residential property financing, personal financing, hire purchase financing, credit cards, wealth management, bancatakaful, remittance and foreign exchange, deposits and internet banking services.

Commercial Banking

Commercial Banking offers products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include banking credit facilities, trade financing, cash management, online business banking platform, remittance and foreign exchange, as well as general deposit products

48 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Wholesale Banking

Wholesale Banking comprises comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, and Private Banking.

- Investment Banking includes end-to-end client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and financial institutional clients whereas advisory offers financial advisory services to corporations on issuance of debt restructuring, initial public offerings, secondary offerings and general corporate advisory.

- Corporate Banking offers a broad spectrum of Islamic funding solutions ranging from trade, working capital lines and capital expenditure to leveraging, merger and acquisition, leveraged and project financing. Corporate Banking's client managers partner with product specialists within the Group to provide a holistic funding solution, from cash management, trade finance, foreign exchange, custody and corporate financings, to derivatives, structured products and debt capital market.

- Treasury and Markets focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

48 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Wholesale Banking (Continued)

Wholesale Banking comprises comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, and Private Banking (Continued)

- Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.

- Private Banking offers a full suite of wealth management solutions to high net worth individuals with access to a complete range of private banking services, extending from investment to securities financing to trust services.

CIMB Digital Assets & Group Funding (previously known as Group Ventures & Partnerships and Funding)

CIMB Digital Assets (previously Group Ventures & Partnerships) drives all strategic partnerships across business lines Group-wide and explores strategic equity joint ventures in the ecosystem space. Group Funding encompasses a wide range of activities from capital, balance sheet and fixed income investments and management, as well as the funding and incubation of corporate ventures and projects.

48 Segment reporting (Continued)

(i) Business segment reporting (Continued)

31 December 2020 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	CIMB Digital Assets & Group Funding RM'000	Total RM'000
Net financing income after modification loss:					
- external	463,592	1,381,601	(494,353)	488,445	1,839,285
- inter-segment	2,541	(554,953)	950,800	(398,388)	-
	466,133	826,648	456,447	90,057	1,839,285
Other operating income	65,973	144,160	39,119	66,469	315,721
Total income	532,106	970,808	495,566	156,526	2,155,006
Overhead expenses	(89,883)	(483,670)	(133,559)	(204,010)	(911,122)
Consist of :					
Depreciation of property, plant and equipment	-	(949)	(47)	(458)	(1,454)
Amortisation of intangible assets	(11)	(80)	(1,994)	(6,464)	(8,549)
Profit/(loss) before expected credit losses	442,223	487,138	362,007	(47,484)	1,243,884
Expected credit losses (made) on financing, advances and other financing/loans	(52,230)	(519,576)	(8,634)	(22)	(580,462)
Expected credit losses (made)/written back for commitments and contingencies	551	(31,078)	(405)	-	(30,932)
Other expected credit losses (made)/written back	-	(4)	(42)	207	161
Segment results	390,544	(63,520)	352,926	(47,299)	632,651
Taxation and zakat					(139,191)
Net profit for the financial year					493,460
Segment assets	14,457,243	57,236,022	32,600,783	11,116,109	115,410,157
Unallocated assets					872,246
Total assets					116,282,403
Segment liabilities	12,246,536	31,780,767	57,926,268	6,814,012	108,767,583
Unallocated liabilities					482,049
Total liabilities					109,249,632
Other segment items					
Capital expenditure	-	1,157	103	709	1,969

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

48 Segment reporting (Continued)

(i) Business segment reporting (Continued)

31 December 2019 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	CIMB Digital Assets & Group Funding RM'000	Total RM'000
Net financing income:					
- external	428,782	1,357,886	(392,744)	393,741	1,787,665
- inter-segment	(29,454)	(579,040)	868,868	(260,374)	-
	399,328	778,846	476,124	133,367	1,787,665
Other operating income	70,868	111,927	45,260	87,233	315,288
Total income	470,196	890,773	521,384	220,600	2,102,953
Overhead expenses	(95,599)	(468,458)	(146,701)	(249,563)	(960,321)
Consist of :					
Depreciation of property, plant and equipment	-	(582)	(44)	(1,886)	(2,512)
Amortisation of intangible assets	(11)	(80)	(1,880)	(6,916)	(8,887)
Profit/(loss) before allowances	374,597	422,315	374,683	(28,963)	1,142,632
Expected credit losses (made)/written back on financing, advances and other financing/loans	36,867	(143,917)	57,804	(26)	(49,272)
Expected credit losses (made)/written back for commitments and contingencies	(2,548)	(9,986)	32,326	-	19,792
Other expected credit losses and impairment allowances (made)	-	-	(69)	(652)	(721)
Segment results	408,916	268,412	464,744	(29,641)	1,112,431
Taxation					(324,421)
Net profit for the financial year					788,010
Segment assets	13,076,318	50,477,058	31,692,012	10,916,585	106,161,973
Unallocated assets					401,231
Total assets					106,563,204
Segment liabilities	11,442,262	33,382,528	46,415,985	8,226,265	99,467,040
Unallocated liabilities					765,350
Total liabilities					100,232,390
Other segment items					
Capital expenditure	3	776	475	3,993	5,247

48 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Basis of pricing for inter-segment transfers:

Intersegmental charges are computed on the profit-bearing assets and liabilities of each business segment with rates applied based on the profit yield curve according to the term structure of maturity.

(ii) Geographic segment reporting

	31 December 2020			
	Net financing income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000
Malaysia	**1,839,285**	**195,680**	**116,282,403**	**109,249,631**

	31 December 2019			
	Net financing income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000
Malaysia	1,787,665	206,801	106,563,204	100,232,390

49 Capital adequacy

The key driving principles of the Group's and the Bank's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group and the Bank, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the CIMB Group Executive Committee who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework for Islamic Banks ("CAFIB") (Capital Components), of which the latest revision was issued on 9 December 2020. The revised guidelines took effect on 9 December 2020 for all banking institutions and financial holding companies and sets up the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Bank Group and the Bank are computed in accordance with the CAFIB (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 3 May 2019.

The Internal Ratings Based ("IRB") Approach adopted by CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advanced IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

49 Capital adequacy (Continued)

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2020. The Group and the Bank issued various capital instruments pursuant to the respective regulatory guidelines that qualify as capital pursuant to the CAFIB (Capital Components) issued by BNM.

(a) The capital adequacy ratios of Group and the Bank are as follows:

	The Group		The Bank	
	31 December 2020	31 December 2019	**31 December 2020**	31 December 2019
Common equity tier 1 ratio	**13.304%**	13.349%	**13.307%**	13.351%
Tier 1 ratio	**14.097%**	13.775%	**14.100%**	13.777%
Total capital ratio	**16.757%**	16.977%	**16.760%**	16.979%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Credit risk	**41,382,111**	36,238,040	**41,382,225**	36,238,155
Market risk	**869,519**	689,054	**869,519**	689,054
Operational risk	**3,633,392**	3,241,495	**3,633,429**	3,241,779
Total risk-weighted assets	**45,885,022**	40,168,589	**45,885,173**	40,168,988

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

49 Capital adequacy (Continued)

(c) Components of Common Equity Tier I, Additional Tier I and Tier II capitals are as follows:

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	**31 December 2020 RM'000**	31 December 2019 RM'000
Common Equity Tier I capital				
Ordinary shares capital	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Other reserves	**5,612,772**	5,110,814	**5,614,034**	5,111,867
Common Equity Tier I capital before regulatory adjustments	**6,612,772**	6,110,814	**6,614,034**	6,111,867
Less: Regulatory adjustments				
Goodwill	**(136,000)**	(136,000)	**(136,000)**	(136,000)
Intangible assets	**(55,420)**	(63,256)	**(55,420)**	(63,256)
Deferred tax assets	**(86,469)**	(23,402)	**(86,469)**	(23,402)
Regulatory reserve	**(213,032)**	(513,533)	**(213,032)**	(513,533)
Others	**(17,221)**	(12,530)	**(17,222)**	(12,530)
Common Equity Tier I capital after regulatory adjustments	**6,104,630**	5,362,093	**6,105,891**	5,363,146
Additional Tier I capital				
Perpetual preference shares	**364,000**	171,000	**364,000**	171,000
Additional Tier I capital before regulatory adjustments	**364,000**	171,000	**364,000**	171,000
Less: Regulatory adjustments	**-**	-	**-**	-
Additional Tier I capital after regulatory adjustments	**364,000**	171,000	**364,000**	171,000
Total Tier I capital	**6,468,630**	5,533,093	**6,469,891**	5,534,146
Tier II capital				
Subordinated Sukuk	**1,110,000**	1,110,000	**1,110,000**	1,110,000
Surplus eligible provisions over expected loss	**40,649**	116,788	**40,647**	116,786
General provisions ^	**69,727**	59,548	**69,729**	59,550
Total Tier II capital	**1,220,376**	1,286,336	**1,220,376**	1,286,336
Total capital	**7,689,006**	6,819,429	**7,690,267**	6,820,482

49 Capital adequacy (Continued)

^ Total capital of the Group and the Bank as at 31 December 2020 have excluded general provision restricted from Tier II capital of RM49.5 million (2019: RM18.3 million) respectively.

In accordance with BNM's guidelines on the recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks on the assets funded by the PSIA are excluded from Total Capital Ratio calculation.

As at 31 December 2020, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM4,703,553,000 (2019: RM4,956,226,000).

50 Significant events

50.1 Significant event during the financial year

On 30 January 2020, the Bank issued RM200 million Basel III compliant Additional Tier 1 Perpetual Preference Shares which was fully subscribed by CIMB Bank Berhad.

50.2 Significant events subsequent to the financial year

The COVID-19 pandemic and related lockdowns and movement restrictions have had, and will continue to have, a significant impact on global economic conditions and the environment in which the Group and the Bank operates its business.

In response to this unprecedented situation, the governments within the jurisdictions of the Group's and the Bank's key markets have responded by providing various forms of economic stimulus programs and relief packages. The Bank Negara Malaysia has also taken proactive steps to address economic and market disruptions.

The Group and the Bank has actively participated in numerous initiatives and programmes aimed at ensuring that customers affected by the economic disruption are provided with sufficient support and to play its part in keeping markets functioning.

The Group and the Bank will continuously assess the extent of the impact of the COVID-19 pandemic to the economic activities as the severity and duration of the global economic downturn remains uncertain.

51 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Expected credit loss allowance on financial assets at amortised cost and FVOCI

The expected credit loss allowance for financial assets at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

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

In determining ECL, management judgement and overlay is applied to reflect the expectation of credit risk. Forward looking macroeconomic information and assumptions relating to COVID-19 have been considered in these estimation, including the uncertainty in relation to resurgence of COVID-19 cases and the anticipated impact of government stimulus and development of vaccines.

Consistent with industry practices, customer support payment deferrals as part of COVID-19 support packages in isolation will not necessarily trigger a stage movement if the customer is assessed to be viable or the deferral packages increase the survival possibility or prevent further credit deterioration. Where there is an indicator of SICR, a lifetime expected credit losses will be considered. Nevertheless, the Group will continue to monitor the ECL impact on an on-going basis throughout the COVID-19 period to ensure sufficient level of provisions are made for the targeted portfolios based on the best available information.

51 Critical accounting estimates and judgements in applying accounting policies (Continued)

(a) Expected credit loss allowance on financial assets at amortised cost and FVOCI (Continued)

Refer to Section 52.1 Credit risk measurement for details on the key judgements and assumptions of the estimation of expected credit loss allowance for financial assets at amortised cost and FVOCI.

(b) Goodwill impairment

The Group and the Bank test annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note L(a) of the Summary of Significant Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group’s business into the various cash-generating-units (“CGU”). The goodwill is then allocated to these various CGU. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value. This allocation is reviewed following business reorganisation.

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU’s pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. The assessment of the value in use of each CGU has considered the impact of COVID-19 on earnings. Refer to Note 17 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

Value-in-use does not reflect future cash outflows or related cost savings (for example reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an entity is not yet committed.

51 Critical accounting estimates and judgements in applying accounting policies (Continued)

(c) Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, payment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 52.4.

d) Provision of taxation

The Group is subject to taxation in numerous jurisdictions and is routinely under audit by many different taxing authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of the Group's positions, propose adjustments or changes to its tax filings and have differing interpretations of tax law for which the final outcome is not determined until a later date. As a result, the Group maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the Group's best estimates of the amount expected to be paid based on a qualitative assessment of all relevant factors.

The Group reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances. Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such audits or related litigation could vary significantly from the Group's provisions. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. However, based on currently enacted legislation, information currently known by the Group and after consultation with external tax advisors, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on the Group's financial condition taken as a whole.

52 Financial Risk Management

(a) Financial risk management objectives and policies

The Group embraces risk management as an integral part of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions and thus enabling risk to be priced appropriately in relation to the return.

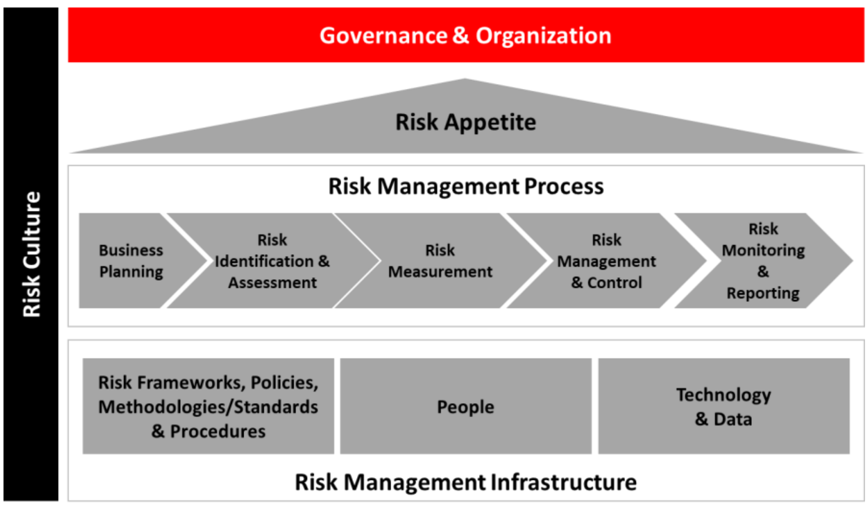
Generally, the objectives of the risk management activities are to:

- Identify the various risk exposures and capital requirements;
- Ensure risk taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- Create shareholder value through sound risk management framework.

(b) Enterprise Wide Risk Management Framework ("EWRM")

The Group employs a Group Enterprise-Wide Risk Management ("EWRM") framework as a standardised approach to effectively manage its risk and opportunities. The Group EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:



52 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)

The design of the Group EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

The key features of the Group EWRM include:

a) **Risk Culture:** The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines of Defence approach, whereby risks are initially managed at the point of risk-taking activity. There is clear accountability of risk ownership across the Group.

b) **Governance & Organisation**: A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies, methodologies/standards and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively maintained.

c) **Risk Appetite**: It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

d) **Risk Management Process**:

- Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new product/ new business activities

- Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group's risk frameworks, policies, methodologies/standards and procedures.

- Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.

52 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)

d) **Risk Management Process: (Continued)**

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

- Risk Monitoring and Reporting: Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

e) **Risk Management Infrastructure**

- Risk Frameworks, Policies, Methodologies/Standards and Procedures addressing all areas of material risks: Frameworks provide broad objectives and overarching risk management architecture for managing risks. Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.

- People: Attracting the right talent and skill is key to ensuring a well-functioning Group EWRM Framework. The organization continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.

- Technology and Data: Appropriate technology and sound data management support risk management activities.

52 Financial Risk Management (Continued)

(c) Risk Governance

At the apex of the governance structure are the respective boards of entities within the Group, which decides on the entity's risk appetite corresponding to its business strategies. Each Board Risk and Compliance Committee ("BRCC") reports directly into the respective boards and assumes responsibility on behalf of the respective Boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the Risk Appetite. Each BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of the Group Risk and Compliance Committee ("GRCC").

To facilitate the effective implementation of the Group EWRM framework, the BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of risk management supervision and control is delegated to the GRCC, which reports directly to the BRCC. The GRCC, comprised of senior management of the Group, performs the oversight function for the overall management of risks. The GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee ("GCC"), Group Market Risk Committee("GMRC"), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

- Market risk, defined as any fluctuations in the value of a trading or investment exposure arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- Credit risk, defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
- Liquidity and Funding risk, defined as the current and potential risk to earnings, shareholders' funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;
- Operational risk, defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

52 Financial Risk Management (Continued)

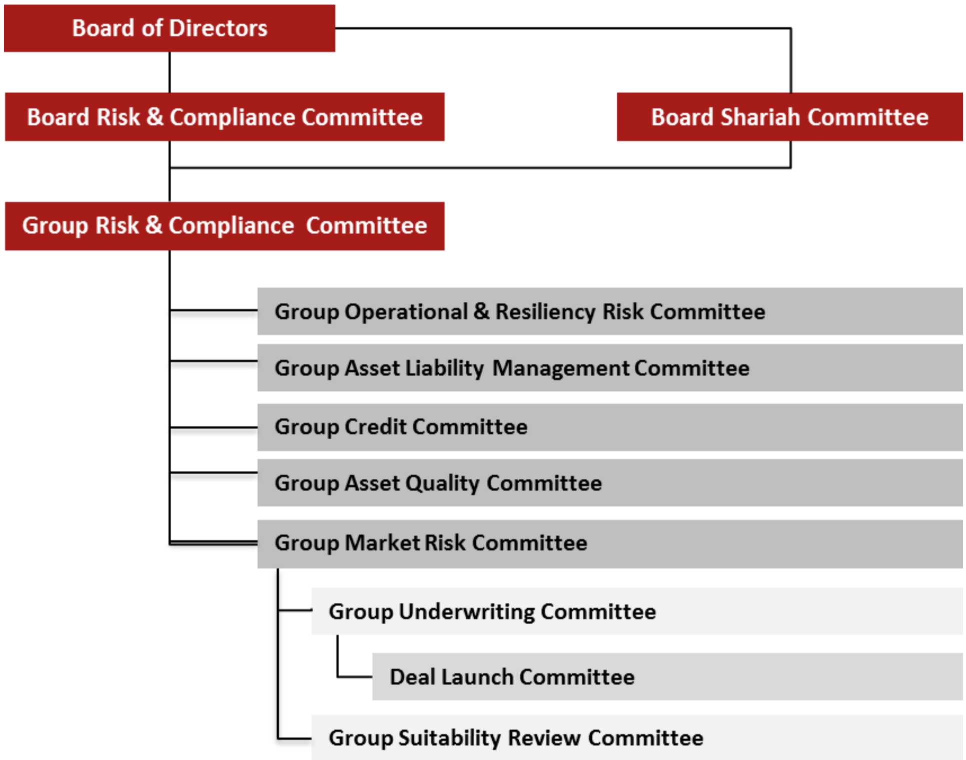
(c) Risk Governance (Continued)

- Rate of return risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in profit rates;
- Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to repay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;
- Shariah Non Compliance ("SNC") risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which CIMB Group may suffer arising from possible failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and Securities Commission ("SC"), standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA, or decisions or advice of the Board Shariah Committee ("BSC") of the CIMB Islamic Bank or other Shariah authorities / committees of the jurisdictions in which the Group operates;
- Fraud risk, defined as the risk of loss resulting from an act or course of deception or omission with the intention to conceal, omit, distort, misrepresent, falsify or etc. to: (i) gain unlawful/illegal/unfair personal advantages, (ii) induce another individual(s) to surrender willing/unwilling of a legal right/possession or (iii) damage another individual(s) resulting in a loss to another; and
- Technology risk, is the risk of loss resulting from inadequate or weaknesses in strategy, people, process, technology or external events, which includes financial risk, regulatory/compliance risk and the risk of reputational loss/damage.

52 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The structure of CIMB Group Risk Committees is depicted in the following chart:



The overseas subsidiaries' of CIMB Group's risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the group and regional committees have consultative and advisory responsibilities on regional matters across the Group as regulators allow. This structure increases regional communication, regarding technical knowledge. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

52 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

Three-Lines of Defence

The Group's risk management culture is embodied through the adoption of the Three-Lines of Defence philosophy, whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line of defence, line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line of defence provides oversight functions and performs independent monitoring of business activities and reporting to the Board and management to ensure that the Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line of defence is Group Corporate Assurance Division who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management processes.

The Roles of Group Chief Risk Officer ("CRO") and Group Risk ("GRD") Division

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and stakeholders in the monitoring and controlling of risk exposures within the Board-approved risk appetite statement.

GRD is headed by the Group CRO, appointed by the Board to lead the Group-wide risk management functions including implementation of the Group EWRM framework. The Group CRO:

a) actively engages the respective boards and senior management on risk management issues and initiatives; and

b) maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local Chief Risk Officer or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

52 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer ("CRO") and Group Risk Divsion ("GRD") (Continued)

The organisational structure of GRD is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE")

a) CRO

- CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
- The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches and small overseas banking subsidiaries.
- For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

b) Risk Centres of Excellence

- These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
- The Risk CoEs consist of Risk Analytics, Credit Risk Infrastructure, Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing & Fraud Risk Management), Asset Liability Management and Credit Risk CoEs.

i. Risk Analytics CoE

The Risk AnaIytics (RA) CoE ensures the Group's compliance to regulatory requirements prescribed for IRB Approach and facilitates other Risk CoEs in their respective risk management through Internal Capital Adequacy Assessment Process (ICAAP), Risk Appetite and Stress Testing. RA CoE also validates credit risk models and performs non-retail credit risk analytics, asset quality reporting and Single Counterparty Exposure Limit (SCEL) regulatory reporting.

52 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)

b) Risk Centres of Excellence (Continued)

ii. Credit Risk Infrastructure CoE

The Credit Risk Infrastructure (CRI) CoE implements risk infrastructure of financing decision engine and rating system which encompass credit risk models and lending criteria. The CoE also manages a Risk Data Mart that facilitates Credit Risk, Risk Weighted Asset (RWA) and SCEL reporting and analytics.

iii. Market Risk CoE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalized through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value-at-Risk and market risk capital as well as performing stress testing.

iv. Non-Financial Risk Management CoE

The Non-Financial Risk Management ("NFRM") CoE ensures the first line of defence manages their operational risk by providing an operational risk framework that enables them to identity, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line of defence's execution of the operational risk framework and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

The Shariah Risk Management ("SRM") unit within the NFRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

52 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)

b) Risk Centres of Excellence (Continued)

iv. Non-Financial Risk Management CoE (Continued)

NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

v. Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and profit rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and profit rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

vi. Credit Risk CoE

The Credit Risk CoE consists of retail and non-retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk of the Group. It ensures a homogenous and consistent approach to credit risk policies, methodologies and procedures, credit risk models, underwriting and portfolio analytics.

52 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)

b) Risk Centres of Excellence (Continued)

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without risk management department, all risk management activities are centralised at relevant Risk CoEs. Otherwise, the risk management activities are performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

Strategies and Processes for Various Risk Management

These information are available in later sections for each Credit Risk, Market Risk and Liquidity Risk.

52.1 Credit Risk

Credit is defined as the possibility of losses due to an obligor or market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises from traditional financing activities through financing facilities, trade finance as well as commitments to support customer’s obligation to third parties, e.g. guarantees or kafalah contracts.

In derivatives, sales and trading activities, credit risk arises from the possibility that the Group’s counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Management

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three-lines of defence model on risk management where risks are managed from the point of risk-taking activities, the Group implemented the risk-based delegated authority framework. This Framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner and Goup Risk as a function independent from the business units is the second line of defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and outlining a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking financings, credit applications are independently evaluated by Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units' officers are delegated with credit approving authority to approve low valued credit facilities. For retail financing, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limits submitted to joint delegated authority and relevant committees for approval.

The GRCC with the support of Group Credit Committee, Group Asset Quality Committee, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk exposure. This amongst others includes the reviewing and analysing portfolio trends, asset quality, watch-list reporting and policy reviews. The committee is also responsible for articulating key credit risks and its mitigating controls.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Management (Continued)

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

It is the Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to pay their obligations, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group’s retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis and more frequently when material information on the obligor or other external factors is made available.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs Value-at-Risk (“VaR”) to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and are considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent, should be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy guides. GCC or the relevant credit approving is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and debt securities, while physical collateral includes land, buildings and vehicles. Guarantors accepted are in line with BNM's CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a framework for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

Credit Risk Mitigation (Continued)

iii) Netting

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

iv) Portfolio diversification for better clarity

CIMB Group avoids unwanted credit or market risk concentrations by diversifying the portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

Credit Risk Measurement

The measurement of expected credit loss allowance under the MFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but that does not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk (SICR)

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

Retail
A retail financing, advances and other financing/loans is perceived to have experienced significant increase in credit risk when the asset meets one of the following criteria:
- Past due for more than 1 month on its contractual payment;
- Habitual delinquent;
- Modified under Agensi Kaunseling dan Pengurusan Kredit (AKPK) scheme and subject to monitoring period;

Non-retail
The stage allocation will be performed at customer level. A customer is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:
- Significant downgrade of internal rating;
- Customer on watchlist and exhibits weaknesses which, if uncorrected, will potentially become a non-performing account in the next 12 months;
- Past due for more than 1 month on its contractual payment;
- Habitual delinquent.

Treasury
A debt instrument is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:
- Significant downgrade of internal rating;
- Customer on watchlist and exhibits weaknesses which will potentially become a non-performing account in the next 12 months;
- Margin call or force selling trigger not regularalised within the stipulated period (applicable to option premium financing only).

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(i) Significant increase in credit risk (SICR) (Continued)

The Group has not used the low credit risk exemption for any financial instruments for the year ended 31 December 2020 and 31 December 2019. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

(ii) Definition of credit impaired

<u>Financing, advances and other financing/loans</u>

The Group classified a financing, advances and other financing/loans as impaired when it meets one or more of the following criteria:

(a) Where the principal or profit or both of the credit facility is past due for more than 90 days or 3 months;
(b) In the case of revolving credit facilities (e.g. cashline facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
(c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Group's internal credit risk rating framework; or
(d) As soon as a default occurs where the principal and /or profit repayments/payments are scheduled on intervals of 3 months or longer.

For the purpose of ascertaining the period in arrears:
- Repayment/payment on each of the instalment amount must be made in full. A partial repayment/payment made on an instalment amount shall be deemed to be still in arrears; and
- Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Group's internal policy, the determination of period in arrears shall exclude the moratorium period granted.

(e) Force Impaired Credit Facilities

The credit facility is force impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired (Continued)

Financing, advances and other financing/loans (Continued)

(f) Cross Default

When an obligor/counterparty has multiple credit facilities with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

Sukuk and other debt instruments measured at amortised cost or FVOCI

The financial instruments are classified as impaired when it meets one or more of the following criteria:

- Sukuk that have an internal rating of 14 and above shall be classified as impaired upon approval by relevant approval authority. Impaired credits must be graded / classified with the appropriate regulatory financing grading(s).
- Sukuk which are force impaired and approved by Group Asset Quality Committee will be subject to individual impairment assessment.
- When an obligor/counterparty has multiple financing, advances and other financing/loans/sukuk with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, an assessment of provision needs to be performed on individual financing, advances and other financing/loans/sukuk level instead of consolidated obligor/counterparty level.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iii) Definition of default

Financing, advances and other financing/loans

The Group defines a financial instrument as in default when it meets one or more of the following criteria:

- Credit-impaired;
- Restructured accounts by AKPK scheme;
- Write-off / charged-off accounts;
- Repossessed accounts (applicable for hire purchase financings only);
- Force disposed accounts (applicable for non-voluntary ASB financing only).

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations for financing, advances and other financing/loans.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Sukuk and other debt instruments measured at amortised cost or FVOCI

The default criteria is fully aligned with external rating agency's default definition as the Group has chosen to benchmark external data for modelling purposes:

- Failure to make principal and/or profit payment under the contractual terms, which is not remedied within the grace period.
- Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of issuer/obligor.
- Failure to honor corporate-guarantee obligations provided to subsidiaries.
- Distressed exchange offer (e.g. extended maturities, lower coupons and etc.).
- Change in payment terms of a credit arrangement or indenture imposed by the sovereign that results in a diminished financial obligation.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iv) Measuring ECL - inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the customer.

Probability of Default

The PD represents the likelihood of a customer will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted MEV with the application of survival probabilities up to maturity of the financing facility.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iv) Measuring ECL - inputs, assumptions and estimation techniques (continued)

Exposure at Default

EAD is the total amount that the Group is exposed to at the time the customer defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment financings, this is based on the contractual repayments owed by the customer over a 12 month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current disbursed balance and adding a "credit conversion factor" which allows for the expected disbursement of the remaining limit by the time of default.

Loss Given Default

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different customers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(v) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Group has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from Group’s Economics team.

The Group applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which is aligned with information used by the Group for other purposes such as budgeting and stress testing.

Best and Worst case: This represent the ‘upside’ and ‘downside’ outcome of future economic conditions.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

The Group and the Bank have also identified the key economic variables and carried out sensitivity assessment of ECL for financing, advances and other financing/loans (including undisbursed financing, advances and other financing/loans) and treasury sukuk in relation to the changes in these key economic variables while all other variables remain constant. The sensitivity factors used are derived based on expected standard deviation determined for each key economic variables to assess the impact on the ECL of the Group and the Bank.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(v) Forward-looking information incorporated into the ECL models (Continued)

The impact captures the non-linearity and offsetting effect arising from the correlation of variables with the ECL and does not reflect any overlay or adjustment which could potentially be put in place as a result of the change in macroeconomics.

The key economic variables used for the ECL sensitivity assessment:

Key variables:	**Changes (+/- bps)**
GDP growth	50
Equity market index	100
Housing Price Index (HPI)	150
Overnight policy rate (OPR)	50

	The Group and the Bank (Writeback)/made	
	RM'000	**RM'000**
	+	-
Impact on expected credit losses	**(21,511)**	**21,928**

The impact captures the non-linearity and offsetting effect arising from the correlation of variables with the ECL and does not reflect any overlay or adjustment which could potentially be put in place as a result of the change in macroeconomics.

(vi) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modelling team.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Write off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a financing, advances and other financing/loans or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such financing, advances and other financing/loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

The Group and the Bank may write-off financing, advances and other financing/loans or debt instrument that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2020 was RM90 million (2019: RM97 million) for the Group and the Bank.

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Modification of financing, advances and other financing/loans

Where the original contractual terms of a financial asset have been modified and the instrument has not been derecognised, the resulting modification loss is recognised in the income statements with a corresponding decrease in the gross carrying value of the asset.

If the modification involved a concession that the Group would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne. ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk.

These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. The risk of default of such financing, advances and other financing/loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original financing, advances and other financing/loans. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undisbursed commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes International Swaps and Derivatives Association Agreement ("CSA") with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC or the relevant credit approving authority.

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes and exposure as at 31 December 2020 and 31 December 2019, there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

All financial assets of the Group and the Bank are subject to credit risk except for cash in hands, securities instruments in financial investments at fair value through profit or loss, unit trust in debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, statutory deposits with central banks as well as non-financial assets.

	The Group and the Bank	
	31 December 2020	**31 December 2019**
	RM'000	**RM'000**
Financial guarantees	**277,100**	234,245
Credit related commitments and contingencies	**13,959,133**	12,781,988
	14,236,233	13,016,233

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans for the Group and the Bank is 64.5% (2019: 58.3%) while the financial effect of collateral for derivatives for the Group and the Bank is 67.6% (2019: 66.7%). The financial effects of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans that are credit impaired as at 31 December 2020 for the Group and the Bank is 35.3% (2019: 31.3%).

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.2 Offsetting financial assets and financial liabilities

(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements - by type

	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position: Financial instruments RM'000	Related amounts not set off in the statement of financial position: Financial collaterals RM'000	Net amount RM'000
The Group and the Bank						
31 December 2020						
Financial assets						
Derivative assets	**522,847**	**-**	**522,847**	**(267,583)**	**(86,100)**	**169,164**
Total	**522,847**	**-**	**522,847**	**(267,583)**	**(86,100)**	**169,164**
31 December 2019						
Financial assets						
Derivative assets	473,486	-	473,486	(293,520)	(22,410)	157,556
Total	473,486	-	473,486	(293,520)	(22,410)	157,556

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.2 Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements - by type

	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		
				Financial instruments RM'000	Financial collaterals RM'000	Net amount RM'000
The Group and the Bank						
31 December 2020						
Financial liabilities						
Derivative liabilities	**557,847**	**-**	**557,847**	**(267,530)**	**-**	**290,317**
Collateralised Commodity Murabahah	**299,236**	**-**	**299,236**	**(299,236)**	**-**	**-**
Total	**857,083**	**-**	**857,083**	**(566,766)**	**-**	**290,317**
31 December 2019						
Financial liabilities						
Derivative liabilities	489,685	-	489,685	(293,520)	-	196,165
Total	489,685	-	489,685	(293,520)	-	196,165

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2020 and 31 December 2019 are as follows:

	The Group 31 December 2020						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	12,403,464	2,160	10,508	56,196	6,345	98,793	12,577,466
Deposits and placements with banks and other financial institutions	50,046	-	-	-	-	-	50,046
Financial assets at fair value through profit or loss	5,034,429	-	-	-	-	-	5,034,429
Debt instruments at fair value through other comprehensive income	3,624,506	-	5,131	-	-	41,262	3,670,899
Debt instruments at amortised cost	8,501,654	-	-	-	-	-	8,501,654
Islamic derivative financial instruments	488,111	-	-	-	-	34,736	522,847
Financing, advances and other financing/loans	84,916,816	-	-	-	-	-	84,916,816
Other assets	294,623	759	-	-	-	1,453	296,835
Amount due from holding company	311,109	-	-	-	-	-	311,109
Amount due from related companies	114	-	53	-	-	-	167
Financial guarantees	277,100	-	-	-	-	-	277,100
Credit related commitments and contingencies	13,933,734	950	10,914	-	692	12,843	13,959,133
Total credit exposures	**129,835,706**	**3,869**	**26,606**	**56,196**	**7,037**	**189,087**	**130,118,501**

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2020 and 31 December 2019 are as follows: (Continued)

	The Group 31 December 2019						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	7,599,953	1,197	46,546	44,766	605	38,983	7,732,050
Financial assets at fair value through profit or loss	5,049,032	-	-	-	-	-	5,049,032
Debt instruments at fair value through other comprehensive income	3,580,749	-	20,242	-	-	15,355	3,616,346
Debt instruments at amortised cost	8,082,696	-	-	-	-	-	8,082,696
Islamic derivative financial instruments	434,185	-	-	-	-	39,301	473,486
Financing, advances and other financing/loans	79,014,254	-	-	-	-	-	79,014,254
Other assets	150,075	312	-	-	-	1,425	151,812
Amount due from ultimate holding company	1	-	-	-	-	-	1
Amount due from related companies	589	-	194	-	-	-	783
Financial guarantees	234,245	-	-	-	-	-	234,245
Credit related commitments and contingencies	12,745,156	2,884	19,713	9	980	13,246	12,781,988
Total credit exposures	116,890,935	4,393	86,695	44,775	1,585	108,310	117,136,693

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2020 and 31 December 2019 are as follows: (Continued)

	The Bank 31 December 2020						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	12,403,418	2,160	10,508	56,196	6,345	98,793	12,577,420
Deposits and placements with banks and other financial institutions	50,046	-	-	-	-	-	50,046
Financial assets at fair value through profit or loss	5,034,429	-	-	-	-	-	5,034,429
Debt instruments at fair value through other comprehensive income	3,624,506	-	5,131	-	-	41,262	3,670,899
Debt instruments at amortised cost	8,501,654	-	-	-	-	-	8,501,654
Islamic derivative financial instruments	488,111	-	-	-	-	34,736	522,847
Financing, advances and other financing/loans	84,916,816	-	-	-	-	-	84,916,816
Other assets	455,303	759	-	-	-	1,453	457,515
Amount due from holding company	311,109	-	-	-	-	-	311,109
Amount due from related companies	114	-	53	-	-	-	167
Financial guarantees	277,100	-	-	-	-	-	277,100
Credit related commitments and contingencies	13,933,734	950	10,914	-	692	12,843	13,959,133
Total credit exposures	129,996,340	3,869	26,606	56,196	7,037	189,087	130,279,135

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2020 and 31 December 2019 are as follows: (Continued)

	The Bank 31 December 2019						
	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Others RM'000	Total RM'000
Cash and short-term funds	7,599,907	1,197	46,546	44,766	605	38,983	7,732,004
Financial assets at fair value through profit or loss	5,049,032	-	-	-	-	-	5,049,032
Debt instruments at fair value through other comprehensive income	3,580,749	-	20,242	-	-	15,355	3,616,346
Debt instruments at amortised cost	8,082,696	-	-	-	-	-	8,082,696
Islamic derivative financial instruments	434,185	-	-	-	-	39,301	473,486
Financing, advances and other financing/loans	79,014,254	-	-	-	-	-	79,014,254
Other assets	150,075	312	-	-	-	1,425	151,812
Amount due from ultimate holding company	1	-	-	-	-	-	1
Amount due from related companies	589	-	194	-	-	-	783
Financial guarantees	234,245	-	-	-	-	-	234,245
Credit related commitments and contingencies	12,745,156	2,884	19,713	9	980	13,246	12,781,988
Total credit exposures	116,890,889	4,393	86,695	44,775	1,585	108,310	117,136,647

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52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2020 and 31 December 2019 based on the industry sectors of the counterparty are as follows:

The Group
31 December 2020

	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total RM'000
Primary agriculture	-	-	-	130,283	-	212	-	3,122,781	3,253,276
Mining and quarrying	-	-	-	56,032	-	-	-	666,539	722,571
Manufacturing	-	-	20,564	40,745	-	8,930	-	3,067,314	3,137,553
Electricity, gas and water supply	-	-	37,343	549,432	394,295	9,050	-	282,678	1,272,798
Construction	-	-	110,014	243,751	131,075	28	-	1,639,534	2,124,402
Transport, storage and communications	-	-	20,478	308,587	632,484	190	-	2,333,720	3,295,459
Education, health and others	-	-	-	-	-	-	-	4,206,573	4,206,573
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	3,509,842	3,509,842
Finance, takaful, real estate and business activities	12,577,466	50,046	4,160,785	1,297,944	1,888,240	439,949	608,111	8,679,972	29,702,513
Others									
Household	-	-	-	-	-	-	-	57,326,682	57,326,682
Others	-	-	685,245	1,044,125	5,455,560	64,488	-	81,181	7,330,599
	12,577,466	50,046	5,034,429	3,670,899	8,501,654	522,847	608,111	84,916,816	115,882,268

*Other financial assets include amount due from holding company, related companies and other financial assets.

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52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2020 and 31 December 2019 based on the industry sectors of the counterparty are as follows: (Continued)

The Group
31 December 2019

	Cash and short-term funds RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total RM'000
Primary agriculture	-	-	66,716	-	888	-	3,273,535	3,341,139
Mining and quarrying	-	-	57,479	-	-	-	952,699	1,010,178
Manufacturing	-	-	35,917	-	4,381	-	2,843,247	2,883,545
Electricity, gas and water supply	-	-	396,360	332,924	65	-	106,776	836,125
Construction	-	154,728	247,669	95,561	2,268	-	1,721,103	2,221,329
Transport, storage and communications	-	10,914	393,225	631,769	11	-	3,314,031	4,349,950
Education, health and others	-	-	-	-	-	-	4,484,728	4,484,728
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	3,285,224	3,285,224
Finance, takaful, real estate and business activities	7,732,050	3,607,717	1,426,419	3,375,871	376,206	152,596	8,416,788	25,087,647
Others								
Household	-	-	-	-	-	-	50,525,705	50,525,705
Others	-	1,275,673	992,561	3,646,571	89,667	-	90,418	6,094,890
	7,732,050	5,049,032	3,616,346	8,082,696	473,486	152,596	79,014,254	104,120,460

*Other financial assets include amount due from ultimate holding company, related companies and other financial assets.

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2020 and 31 December 2019 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank
31 December 2020

	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Debt instruments at amortised cost	Islamic derivative financial instruments	Other financial assets *	Financing, advances and other financing/ loans	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	130,283	-	212	-	3,122,781	3,253,276
Mining and quarrying	-	-	-	56,032	-	-	-	666,539	722,571
Manufacturing	-	-	20,564	40,745	-	8,930	-	3,067,314	3,137,553
Electricity, gas and water supply	-	-	37,343	549,432	394,295	9,050	-	282,678	1,272,798
Construction	-	-	110,014	243,751	131,075	28	-	1,639,534	2,124,402
Transport, storage and communications	-	-	20,478	308,587	632,484	190	-	2,333,720	3,295,459
Education, health and others	-	-	-	-	-	-	-	4,206,573	4,206,573
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	3,509,842	3,509,842
Finance, takaful, real estate and business activities	12,577,420	50,046	4,160,785	1,297,944	1,888,240	439,949	768,791	8,679,972	29,863,147
Others									
Household	-	-	-	-	-	-	-	57,326,682	57,326,682
Others	-	-	685,245	1,044,125	5,455,560	64,488	-	81,181	7,330,599
	12,577,420	50,046	5,034,429	3,670,899	8,501,654	522,847	768,791	84,916,816	116,042,902

* Other financial assets include amount due from holding company, related companies and other financial assets.

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2020 and 31 December 2019 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank
31 December 2019

	Cash and short-term funds RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total RM'000
Primary agriculture	-	-	66,716	-	888	-	3,273,535	3,341,139
Mining and quarrying	-	-	57,479	-	-	-	952,699	1,010,178
Manufacturing	-	-	35,917	-	4,381	-	2,843,247	2,883,545
Electricity, gas and water supply	-	-	396,360	332,924	65	-	106,776	836,125
Construction	-	154,728	247,669	95,561	2,268	-	1,721,103	2,221,329
Transport, storage and communications	-	10,914	393,225	631,769	11	-	3,314,031	4,349,950
Education, health and others	-	-	-	-	-	-	4,484,728	4,484,728
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	3,285,224	3,285,224
Finance, takaful, real estate and business activities	7,732,004	3,607,717	1,426,419	3,375,871	376,206	152,596	8,416,788	25,087,601
Others								
Household	-	-	-	-	-	-	50,525,705	50,525,705
Others	-	1,275,673	992,561	3,646,571	89,667	-	90,418	6,094,890
	7,732,004	5,049,032	3,616,346	8,082,696	473,486	152,596	79,014,254	104,120,414

* Other financial assets include amount due from ultimate holding company, related companies and other financial assets.

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for financial guarantees and credit related commitments and contingencies, based on the industry sectors of the counterparty are as follows:

	The Group and the Bank			
	31 December 2020		31 December 2019	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	**3,966**	**467,759**	3,837	550,911
Mining and quarrying	**2,202**	**84,896**	3,063	84,995
Manufacturing	**72,405**	**483,354**	63,952	405,792
Electricity, gas and water supply	**31,028**	**79,210**	29,389	103,447
Construction	**32,561**	**1,990,401**	31,403	1,628,238
Transport, storage and communications	**34,145**	**653,357**	3,095	126,961
Education, health and others	**1,740**	**952,839**	1,685	215,632
Wholesale and retail trade, and restaurants and hotels	**83,291**	**595,729**	81,263	520,655
Finance, takaful, real estate and business activities	**15,681**	**1,094,874**	16,216	1,245,541
Others				
Household	**-**	**7,551,559**	196	7,893,489
Others	**81**	**5,155**	146	6,327
	277,100	**13,959,133**	234,245	12,781,988

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets

(a) Financial assets using General 3-stage approach

Where expected credit loss 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 Group and the Bank, as summarised below:

Financing, advances and other financing/loans and financing commitment and financial guarantees

Rating classification	Internal rating
Good	1 to 10b
Satisfactory	11a to 13e
Impaired	14

Other financial instruments

Rating classification	Internal rating
Investment Grade (IG)	1 to 6
Non Investment Grade	7 to 13e
Impaired	14

Other financial instruments includes cash and short-term funds, deposits and placements with banks and other financial institutions, collateralised commodity Murabahah, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost, amount due from intercompany balances and other assets.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

Credit quality description can be summarised as follows:

Good – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Bank.

Satisfactory – There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and profit.

Investment Grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment Grade – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

No rating – This includes exposures under the Standardised Approach and those where ratings are not available and portfolio average were applied.

Impaired – Refers to the asset that is being impaired.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised.

The Group	**12-month ECL (Stage 1)**	**Lifetime ECL-not credit impaired (Stage 2)**	**Lifetime ECL-credit impaired (Stage 3)**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and short-term fund and deposits and placement with banks and other financial institutions				
2020				
Sovereign	**12,276,136**	-	-	**12,276,136**
Investment grade	**258,346**	-	-	**258,346**
Non-investment grade	**2,622**	-	-	**2,622**
No rating	**90,408**	-	-	**90,408**
Gross carrying amount	**12,627,512**	-	-	**12,627,512**
Total ECL	-	-	-	-
Net carrying amount	**12,627,512**	-	-	**12,627,512**
2019				
Sovereign	7,002,217	-	-	7,002,217
Investment grade	276,435	-	-	276,435
Non-investment grade	2,707	-	-	2,707
No rating	450,691	-	-	450,691
Gross carrying amount	7,732,050	-	-	7,732,050
Total ECL	-	-	-	-
Net carrying amount	7,732,050	-	-	7,732,050

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Cash and short-term fund and deposits and placement with banks and other financial institutions				
2020				
Sovereign	**12,276,136**	-	-	**12,276,136**
Investment grade	**258,346**	-	-	**258,346**
Non-investment grade	**2,622**	-	-	**2,622**
No rating	**90,362**	-	-	**90,362**
Gross carrying amount	**12,627,466**	-	-	**12,627,466**
Total ECL	-	-	-	-
Net carrying amount	**12,627,466**	-	-	**12,627,466**
2019				
Sovereign	7,002,217	-	-	7,002,217
Investment grade	276,435	-	-	276,435
Non-investment grade	2,707	-	-	2,707
No rating	450,645	-	-	450,645
Gross carrying amount	7,732,004	-	-	7,732,004
Total ECL	-	-	-	-
Net carrying amount	7,732,004	-	-	7,732,004

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Debt instruments at fair value through other comprehensive income				
2020				
Sovereign	**1,363,241**	-	-	**1,363,241**
Investment grade	**1,290,777**	-	-	**1,290,777**
Non-investment grade	**925,229**	-	-	**925,229**
No rating	**91,652**	-	-	**91,652**
Gross carrying amount*	**3,670,899**	-	-	**3,670,899**
Total ECL ^^	**(1,914)**	-	-	**(1,914)**
Net carrying amount	**3,668,985**	-	-	**3,668,985**
2019				
Sovereign	1,753,918	-	-	1,753,918
Investment grade	1,014,985	-	-	1,014,985
Non-investment grade	771,088	25,605	-	796,693
No rating	50,750	-	-	50,750
Gross carrying amount*	3,590,741	25,605	-	3,616,346
Total ECL ^^	(1,749)	(99)	-	(1,848)
Net carrying amount	3,588,992	25,506	-	3,614,498
Debt instruments at amortised cost				
2020				
Sovereign	**7,504,743**	-	-	**7,504,743**
Investment grade	**902,518**	-	-	**902,518**
Non-investment grade	**94,577**	-	-	**94,577**
Gross carrying amount	**8,501,838**	-	-	**8,501,838**
Total ECL	**(184)**	-	-	**(184)**
Net carrying amount	**8,501,654**	-	-	**8,501,654**
2019				
Sovereign	7,221,423	-	-	7,221,423
Investment grade	756,838	-	-	756,838
Non-investment grade	89,821	-	-	89,821
No rating	15,009	-	-	15,009
Gross carrying amount	8,083,091	-	-	8,083,091
Total ECL	(395)	-	-	(395)
Net carrying amount	8,082,696	-	-	8,082,696

* This represents the fair value of the securities

^^ The ECL is recognised in other comprehensive income reserves as the carrying amount of debt instruments at fair value through other comprehensive income are equivalent to their fair value.

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52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Financing, advances and other financing/loans at amortised cost				
2020				
Good	**46,604,518**	**5,207,860**	**-**	**51,812,378**
Satisfactory	**17,022,714**	**4,107,049**	**-**	**21,129,763**
Impaired	**-**	**-**	**1,497,242**	**1,497,242**
No rating	**10,839,032**	**416,483**	**-**	**11,255,515**
Gross carrying amount	**74,466,264**	**9,731,392**	**1,497,242**	**85,694,898**
Total ECL	**(254,404)**	**(381,846)**	**(339,153)**	**(975,403)**
Net carrying amount	**74,211,860**	**9,349,546**	**1,158,089**	**84,719,495**
2019				
Good	46,237,865	1,616,117	-	47,853,982
Satisfactory	19,296,091	1,955,593	-	21,251,684
Impaired	-	-	1,242,097	1,242,097
No rating	8,763,104	137,854	-	8,900,958
Gross carrying amount	74,297,060	3,709,564	1,242,097	79,248,721
Total ECL	(134,567)	(132,054)	(168,027)	(434,648)
Net carrying amount	74,162,493	3,577,510	1,074,070	78,814,073
Other assets				
2020				
Investment grade	**25,250**	**-**	**-**	**25,250**
Gross carrying amount	**25,250**	**-**	**-**	**25,250**
Total ECL	**-**	**-**	**-**	**-**
Net carrying amount	**25,250**	**-**	**-**	**25,250**
2019				
Investment grade	25,250	-	-	25,250
Gross carrying amount	25,250	-	-	25,250
Total ECL	-	-	-	-
Net carrying amount	25,250	-	-	25,250

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Intercompany balances				
2020				
Investment grade	**311,162**	-	-	**311,162**
No rating	**114**	-	-	**114**
Gross carrying amount	**311,276**	-	-	**311,276**
Total ECL	-	-	-	-
Net carrying amount	**311,276**	-	-	**311,276**
2019				
Investment grade	195	-	-	195
No rating	589	-	-	589
Gross carrying amount	784	-	-	784
Total ECL	-	-	-	-
Net carrying amount	784	-	-	784

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses ("ECL") is recognised. (Continued)

The Group and the Bank	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
Financing commitments and financial guarantee contracts				
2020				
Good	**10,038,592**	**331,606**	**-**	**10,370,198**
Satisfactory	**1,519,304**	**238,851**	**-**	**1,758,155**
Impaired	**-**	**-**	**40,036**	**40,036**
No rating	**2,132,258**	**12,036**	**-**	**2,144,294**
Gross carrying amount	**13,690,154**	**582,493**	**40,036**	**14,312,683**
Total ECL	**(46,852)**	**(23,066)**	**(6,532)**	**(76,450)**
Net carrying amount	**13,643,302**	**559,427**	**33,504**	**14,236,233**
2019				
Good	8,632,310	281,364	-	8,913,674
Satisfactory	1,878,939	71,791	-	1,950,730
Impaired	-	-	27,146	27,146
No rating	2,169,304	922	-	2,170,226
Gross carrying amount	12,680,553	354,077	27,146	13,061,776
Total ECL	(36,471)	(6,572)	(2,500)	(45,543)
Net carrying amount	12,644,082	347,505	24,646	13,016,233

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52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

(i) Analysis of credit quality of financing, advances and other financing/loans by product

The Group and the Bank
2020

	Financing, advances and other financing/loans at amortised cost								
	Cashline RM'000	Term financing RM'000	Bill receivable RM'000	Islamic trust receipts RM'000	Claims on customers under acceptance credits RM'000	Staff financing RM'000	Credit card receivables RM'000	Revolving credits RM'000	Total gross amount RM'000
12-month ECL (Stage 1)	811,426	67,866,156	346,310	93,214	564,665	167,199	129,324	4,487,970	74,466,264
- Good	406,850	42,854,616	217,841	74,526	279,122	166,232	74,251	2,531,080	46,604,518
- Satisfactory	114,274	16,792,190	3,823	4,798	49,712	894	54,016	3,007	17,022,714
- No rating	290,302	8,219,350	124,646	13,890	235,831	73	1,057	1,953,883	10,839,032
Lifetime ECL not credit-impaired (Stage 2)	208,418	9,334,325	3,472	302	62,555	4,517	4,077	113,726	9,731,392
- Good	68,164	5,019,394	-	286	38,483	4,288	21	77,224	5,207,860
- Satisfactory	130,199	3,908,531	3,472	-	24,072	229	4,044	36,502	4,107,049
- No rating	10,055	406,400	-	16	-	-	12	-	416,483
Lifetime ECL credit-impaired (Stage 3)	26,371	1,299,350	16,220	2,976	149,593	-	988	1,744	1,497,242
- Impaired	26,371	1,299,350	16,220	2,976	149,593	-	988	1,744	1,497,242
Total	1,046,215	78,499,831	366,002	96,492	776,813	171,716	134,389	4,603,440	85,694,898

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

(i) Analysis of credit quality of financing, advances and other financing/loans by product. (Continued)

The Group and the Bank
2019

	Financing, advances and other financing/loans at amortised cost								
	Cashline RM'000	Term financing RM'000	Bill receivable RM'000	Islamic trust receipts RM'000	Claims on customers under acceptance credits RM'000	Staff financing RM'000	Credit card receivables RM'000	Revolving credits RM'000	Total gross amount RM'000
12-month ECL (Stage 1)	1,087,782	66,217,751	483,086	95,111	838,370	147,832	141,789	5,285,339	74,297,060
- Good	618,316	39,937,553	296,741	77,713	454,654	147,610	77,144	4,628,134	46,237,865
- Satisfactory	144,289	19,048,808	512	3,031	35,202	222	63,025	1,002	19,296,091
- No rating	325,177	7,231,390	185,833	14,367	348,514	-	1,620	656,203	8,763,104
Lifetime ECL not credit-impaired (Stage 2)	130,874	3,443,869	6,519	626	25,187	-	5,218	97,271	3,709,564
- Good	53,512	1,494,123	-	-	15,334	-	32	53,116	1,616,117
- Satisfactory	52,992	1,836,262	6,519	626	9,853	-	5,186	44,155	1,955,593
- No rating	24,370	113,484	-	-	-	-	-	-	137,854
Lifetime ECL credit-impaired (Stage 3)	20,626	1,096,884	-	-	120,703	-	2,022	1,862	1,242,097
- Impaired	20,626	1,096,884	-	-	120,703	-	2,022	1,862	1,242,097
Total	1,239,282	70,758,504	489,605	95,737	984,260	147,832	149,029	5,384,472	79,248,721

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach

Analysis of other assets by credit rating

The credit quality of other assets that are assessed by reference to internal rating system adopted by the Group and the Bank. Where internal rating system is not applied, external credit rating by major credit rating agencies will be adopted, as summarised below:

The Group and the Bank **Rating classification**	**Internal rating**	**External credit rating**
Investment Grade (IG)	1 to 6	AAA to BBB-
Non Investment Grade	7 to 14	BB+ and below

The following tables are analysis of the credit risk exposure of other assets using simplified approach:

The Group

	Investment grade (AAA to BBB-)	**No rating**	**Gross carrying amount**	**ECL**	**Net carrying amount**
	RM'000	**RM'000**		**RM'000**	**RM'000**
2020					
Other assets	**2,700**	**269,158**	**271,858**	**(273)**	**271,585**
Total	**2,700**	**269,158**	**271,858**	**(273)**	**271,585**
2019					
Other assets	36,406	90,445	126,851	(289)	126,562
Total	36,406	90,445	126,851	(289)	126,562

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach (Continued)

Analysis of other assets by credit rating (Continued)

The following tables are analysis of the credit risk exposure of other assets using simplified approach: (Continued)

The Bank

	Investment grade (AAA to BBB-)	No rating	Gross carrying amount	ECL	Net carrying amount
	RM'000	RM'000		RM'000	RM'000
2020					
Other assets	**2,700**	**429,838**	**432,538**	**(273)**	**432,265**
Total	**2,700**	**429,838**	**432,538**	**(273)**	**432,265**
2019					
Other assets	36,406	90,445	126,851	(289)	126,562
Total	36,406	90,445	126,851	(289)	126,562

Credit quality description can be summarised below:

Investment Grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment Grade – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

No rating – This includes exposures where ratings are not available and portfolio average were applied.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.5 Repossessed collateral

The Group and the Bank has not taken possession of any collateral held as security.

52.1.6 Modification of financing, advances and other financing/loans

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL – not credit impaired (Stage 2):

2020	**The Group and the Bank**
	RM'000
Amortised cost before modification	2,219,540
Modification loss	(18,569)
Amortised cost after modification	2,200,971

Gross carrying amounts of financing, advances and other financing/loans of the Group and the Bank as at 31 December 2020, for which loss allowance has changed to 12-month measurement during the financial year amounting to RM199,352,000 respectively.

52 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

52.1.7 Overlays and adjustments for expected credit losses amid COVID-19 environment

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

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures are expiring in 2021.

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

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

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 with a gradual recovery, the impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount to RM155.7 million of the both Group’s and the Bank’s ECL on financing, advances and other financing/loans (including undisbursed financing, advances and other financing/loans) as at 31 December 2020.

52 Financial Risk Management (Continued)

52.2 Market Risk

Market risk is defined as any fluctuation in the market value of a trading or investment exposure arising from changes in market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

Market Risk Management (MRM)

The Group adopts various measures as part of the risk management process. The GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

Market Risk CoE is responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. 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 usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2020 is shown in Note 52.2.1.

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

Market Risk Management (MRM) (Continued)

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets' trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limit usage, assessing limit adequacy and verifying transaction prices.

Capital Treatment for Market Risk

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on Capital Adequacy Framework for Islamic Banks (CAFIB) (Risk-Weighted Assets).

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures are set out below:

	The Group		The Bank	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
VaR				
Foreign exchange risk	**611**	336	**611**	336
Profit rate risk	**4,068**	1,194	**4,068**	1,194
Total	**4,679**	1,530	**4,679**	1,530
Total shareholder's funds	**7,032,772**	6,330,814	**7,034,034**	6,331,867
Percentage over shareholder's funds	**0.07%**	0.02%	**0.07%**	0.02%

52.2.2 Profit rate risk

Profit rate risk relates to the potential adverse impact on the net profit income arising from the changes in profit rates. One of the primary sources of profit rate risk is the repricing mismatches between profit earning assets and profit bearing liabilities. Profit rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk (EaR).

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates:

The Group 31 December 2020	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	12,510,805	-	-	-	-	-	66,661	-	12,577,466
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	46	-	50,046
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,034,429	5,034,429
Debt instruments at fair value through other comprehensive income	-	-	155,387	117,198	1,640,504	1,723,172	34,638	-	3,670,899
Debt instruments at amortised cost	-	20,044	134,210	697,624	4,483,987	3,072,770	93,019	-	8,501,654
Islamic derivative financial instruments	-	-	-	-	-	-	-	522,847	522,847
Financing, advances and other financing/loans	66,049,975	5,631,826	516,000	690,433	2,369,333	9,659,249	-	-	84,916,816
Other assets	372	130	-	-	10,806	25,140	260,387	-	296,835
Amount due from holding company	-	-	-	-	-	-	311,109	-	311,109
Amount due from related companies	-	-	-	-	-	-	167	-	167
Total financial assets	78,561,152	5,702,000	805,597	1,505,255	8,504,630	14,480,331	766,027	5,557,276	115,882,268

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Group 31 December 2020	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	48,076,771	20,773,106	18,216,756	8,723,651	80,766	23,019	408,840	-	96,302,909
Investment accounts of customers	1,284,991	454,947	508,606	416,091	-	-	14,235	-	2,678,870
Deposits and placements of banks and other financial institutions	2,235,312	300,000	110,000	-	153,170	-	532	-	2,799,014
Collateralised Commodity Murabahah	-	299,088	-	-	-	-	148	-	299,236
Investment accounts due to designated financial institutions	3,717,239	1,030,851	-	-	-	-	3,151	-	4,751,241
Financial liabilities designated at fair value through profit or loss	-	-	-	-	72,133	-	127	(650)	71,610
Islamic derivative financial instruments	-	-	-	-	3,939	-	-	553,908	557,847
Amount due to related companies	-	-	-	-	-	-	8,643	-	8,643
Other liabilities	4,051	14,177	494	-	3,400	31,310	167,497	-	220,929
Lease liabilities					2,365				2,365
Sukuk	-	-	-	186,000	-	-	155	-	186,155
Subordinated sukuk	-	-	9,999	-	1,100,000	-	8,337	-	1,118,336
Total financial liabilities	55,318,364	22,872,169	18,845,855	9,325,742	1,415,773	54,329	611,665	553,258	108,997,155
Net profit sensitivity gap	23,242,788	(17,170,169)	(18,040,258)	(7,820,487)	7,088,857	14,426,002		5,004,018	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	277,100	-	277,100
Credit related commitments and contingencies	-	-	-	-	-	-	13,959,133	-	13,959,133
Treasury related commitments and contingencies (hedging)	-	-	-	-	78,008	-	-	-	78,008
Net profit sensitivity gap	-	-	-	-	78,008	-	14,236,233	-	14,314,241

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Group 31 December 2019	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-profit sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets									
Cash and short-term funds	7,722,673	-	-	-	-	-	9,377	-	7,732,050
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,049,032	5,049,032
Debt instruments at fair value through other comprehensive income	10,004	119,687	102,530	116,072	1,989,568	1,242,801	35,684	-	3,616,346
Debt instruments at amortised cost	-	-	409,972	270,898	3,675,454	3,637,657	88,715	-	8,082,696
Islamic derivative financial instruments	-	-	-	-	-	-	-	473,486	473,486
Financing, advances and other financing/loans	62,345,178	3,007,380	3,627,217	152,213	2,784,861	7,097,405	-	-	79,014,254
Other assets	77	130	5,012	-	31,257	23,599	91,737	-	151,812
Amount due from ultimate holding company	-	-	-	-	-	-	1	-	1
Amount due from related companies	-	-	-	-	-	-	783	-	783
Total financial assets	70,077,932	3,127,197	4,144,731	539,183	8,481,140	12,001,462	226,297	5,522,518	104,120,460

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Group 31 December 2019	Non-trading book Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	43,687,961	18,781,234	14,607,982	7,509,714	83,496	25,085	536,855	-	85,232,327
Investment accounts of customers	703,908	520,265	1,947,696	250,244	-	-	26,851	-	3,448,964
Deposits and placements of banks and other financial institutions	2,073,853	-	70,000	133,851	-	-	3,166	-	2,280,870
Investment accounts due to designated financial institutions	4,013,069	1,003,525	-	-	-	-	5,380	-	5,021,974
Financial liabilities designated at fair value through profit or loss	-	-	-	-	98,371	-	172	(3,044)	95,499
Islamic derivative financial instruments	-	-	17,115	-	-	1,467	-	471,103	489,685
Amount due to holding company	-	-	-	-	-	-	38,859	-	38,859
Amount due to related companies	-	-	-	-	-	-	11,241	-	11,241
Other liabilities	4,147	6,869	2,943	-	54,470	73,745	271,243	-	413,417
Lease liabilities	-	-	-	-	2,854	-	-	-	2,854
Recourse obligation on loans and financing sold to Cagamas	-	-	-	1,500,011	-	-	10,379	-	1,510,390
Sukuk	-	-	-	-	266,000	-	222	-	266,222
Subordinated sukuk	-	-	-	-	1,109,998	-	8,257	-	1,118,255
Total financial liabilities	50,482,938	20,311,893	16,645,736	9,393,820	1,615,189	100,297	912,625	468,059	99,930,557
Net profit sensitivity gap	19,594,994	(17,184,696)	(12,501,005)	(8,854,637)	6,865,951	11,901,165		5,054,459	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	234,245	-	234,245
Credit related commitments and contingencies	-	-	-	-	-	-	12,781,988	-	12,781,988
Treasury related commitments and contingencies (hedging)	-	-	1,900,000	-	-	93,931	-	-	1,993,931
Net profit sensitivity gap	-	-	1,900,000	-	-	93,931	13,016,233	-	15,010,164

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Bank 31 December 2020	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	12,510,805	-	-	-	-	-	66,615	-	12,577,420
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	46	-	50,046
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,034,429	5,034,429
Debt instruments at fair value through other comprehensive income	-	-	155,387	117,198	1,640,504	1,723,172	34,638	-	3,670,899
Debt instruments at amortised cost	-	20,044	134,210	697,624	4,483,987	3,072,770	93,019	-	8,501,654
Islamic derivative financial instruments	-	-	-	-	-	-	-	522,847	522,847
Financing, advances and other financing/loans	66,049,975	5,631,826	516,000	690,433	2,369,333	9,659,249	-	-	84,916,816
Other assets	77	130	-	-	10,806	25,140	421,362	-	457,515
Amount due from holding company	-	-	-	-	-	-	311,109	-	311,109
Amount due from related companies	-	-	-	-	-	-	167	-	167
Total financial assets	78,560,857	5,702,000	805,597	1,505,255	8,504,630	14,480,331	926,956	5,557,276	116,042,902

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Bank **31 December 2020**	**Non-trading book** Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	48,423,224	20,773,106	18,216,756	8,723,651	80,766	23,019	409,013	-	96,649,535
Investment accounts of customers	1,284,991	454,947	508,606	416,091	-	-	14,235	-	2,678,870
Deposits and placements of banks and other financial institutions	2,235,312	300,000	110,000	-	153,170	-	532	-	2,799,014
Collateralised Commodity Murabahah	-	299,088	-	-	-	-	148	-	299,236
Investment accounts due to designated financial institutions	3,717,239	1,030,851	-	-	-	-	3,151	-	4,751,241
Financial liabilities designated at fair value through profit or loss	-	-	-	-	72,133	-	127	(650)	71,610
Islamic derivative financial instruments	-	-	-	-	3,939	-	-	553,908	557,847
Amount due to related company	-	-	-	-	-	-	8,643	-	8,643
Other liabilities	2,963	14,177	494	-	3,400	31,310	167,497	-	219,841
Lease liabilities					2,365				2,365
Subordinated sukuk	-	-	9,999	-	1,100,000	-	8,337	-	1,118,336
Total financial liabilities	55,663,729	22,872,169	18,845,855	9,139,742	1,415,773	54,329	611,683	553,258	109,156,538
Net profit sensitivity gap	22,897,128	(17,170,169)	(18,040,258)	(7,634,487)	7,088,857	14,426,002		5,004,018	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	277,100	-	277,100
Credit related commitments and contingencies	-	-	-	-	-	-	13,959,133	-	13,959,133
Treasury related commitments and contingencies (hedging)	-	-	-	-	78,008	-	-	-	78,008
Net profit sensitivity gap	-	-	-	-	78,008	-	14,236,233	-	14,314,241

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Bank	←			Non-trading book			→		
31 December 2019	**Up to 1 month**	**> 1 – 3 months**	**> 3 – 6 months**	**> 6 – 12 months**	**> 1 – 5 years**	**Over 5 years**	**Non-profit sensitive**	**Trading book**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets									
Cash and short-term funds	7,722,673	-	-	-	-	-	9,331	-	7,732,004
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,049,032	5,049,032
Debt instruments at fair value through other comprehensive income	10,004	119,687	102,530	116,072	1,989,568	1,242,801	35,684	-	3,616,346
Debt instruments at amortised cost	-	-	409,972	270,898	3,675,454	3,637,657	88,715	-	8,082,696
Islamic derivative financial instruments	-	-	-	-	-	-	-	473,486	473,486
Financing, advances and other financing/loans	62,345,178	3,007,380	3,627,217	152,213	2,784,861	7,097,405	-	-	79,014,254
Other assets	77	130	5,012	-	31,257	23,599	91,737	-	151,812
Amount due from ultimate holding company	-	-	-	-	-	-	1	-	1
Amount due from related companies	-	-	-	-	-	-	783	-	783
Total financial assets	70,077,932	3,127,197	4,144,731	539,183	8,481,140	12,001,462	226,251	5,522,518	104,120,414

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Bank	Non-trading book								
31 December 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	44,037,694	18,781,234	14,607,982	7,509,714	83,496	25,085	537,218	-	85,582,423
Investment accounts of customers	703,908	520,265	1,947,696	250,244	-	-	26,851	-	3,448,964
Deposits and placements of banks and other financial institutions	2,073,853	-	70,000	133,851	-	-	3,166	-	2,280,870
Investment accounts due to designated financial institutions	4,013,069	1,003,525	-	-	-	-	5,380	-	5,021,974
Financial liabilities designated at fair value through profit or loss	-	-	-	-	98,371	-	172	(3,044)	95,499
Islamic derivative financial instruments	-	-	17,115	-	-	1,467	-	471,103	489,685
Amount due to holding company	-	-	-	-	-	-	38,859	-	38,859
Amount due to related company	-	-	-	-	-	-	11,241	-	11,241
Other liabilities	2,944	6,869	2,943	-	54,470	73,745	187,484	-	328,455
Lease liabilities	-	-	-	-	2,854	-	-	-	2,854
Recourse obligation on loans and financing sold to Cagamas	-	-	-	1,500,011	-	-	10,379	-	1,510,390
Subordinated sukuk	-	-	-	-	1,109,998	-	8,257	-	1,118,255
Total financial liabilities	50,831,468	20,311,893	16,645,736	9,393,820	1,349,189	100,297	829,007	468,059	99,929,469
Net profit sensitivity gap	19,246,464	(17,184,696)	(12,501,005)	(8,854,637)	7,131,951	11,901,165		5,054,459	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	234,245	-	234,245
Credit related commitments and contingencies	-	-	-	-	-	-	12,781,988	-	12,781,988
Treasury related commitments and contingencies (hedging)	-	-	1,900,000	-	-	93,931	-	-	1,993,931
Net profit sensitivity gap	-	-	1,900,000	-	-	93,931	13,016,233	-	15,010,164

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(b) Sensitivity of profit and reserves

(i) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

	The Group			
	31 December 2020		31 December 2019	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	**(41,303)**	**41,303**	(39,633)	39,633

	The Bank			
	31 December 2020		31 December 2019	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	**(43,541)**	**43,541**	(42,013)	42,013

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(b) Sensitivity of profit and reserves (Continued)

(ii) Sensitivity of reserves

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

	The Group and the Bank			
	31 December 2020		31 December 2019	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
	RM'000	RM'000	RM'000	RM'000
Impact to revaluation reserve - debt instruments at fair value through other comprehensive income	**(1,917)**	**1,917**	(1,514)	1,514

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments at fair value through other comprehensive income following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group and the Bank would take to mitigate the impact of this profit rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective profit movements.

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk

The Group and the Bank are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Bank take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank:

	The Group 31 December 2020					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	12,327,875	172,478	10,004	67,109	249,591	12,577,466
Deposits and placements with banks and other financial institutions	50,046	-	-	-	-	50,046
Financial assets at fair value through profit or loss	4,881,984	152,445	-	-	152,445	5,034,429
Debt instruments at fair value through other comprehensive income	3,670,899	-	-	-	-	3,670,899
Debt instruments at amortised cost	8,501,654	-	-	-	-	8,501,654
Islamic derivative financial instruments	5,426,294	(6,724,513)	2,052,286	(231,220)	(4,903,447)	522,847
Financing, advances and other financing/loans	84,160,894	705,594	200	50,128	755,922	84,916,816
Other assets	293,547	1,071	-	2,217	3,288	296,835
Amount due from holding company	309,210	1,899	-	-	1,899	311,109
Amount due from related companies	19	23	125	-	148	167
	119,622,422	(5,691,003)	2,062,615	(111,766)	(3,740,154)	115,882,268

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Group 31 December 2020					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	95,272,335	954,275	6,244	70,055	1,030,574	96,302,909
Investment accounts of customers	2,678,870	-	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	1,353,189	1,406,323	3,041	36,461	1,445,825	2,799,014
Collateralised Commodity Murabahah	299,236	-	-	-	-	299,236
Investment accounts due to designated financial institutions	4,751,241	-	-	-	-	4,751,241
Financial liabilities designated at fair value through profit or loss	71,610	-	-	-	-	71,610
Islamic derivative financial instruments	6,833,634	(8,059,452)	2,045,036	(261,371)	(6,275,787)	557,847
Amount due to related companies	8,643	-	-	-	-	8,643
Other liabilities	219,082	1,574	-	273	1,847	220,929
Lease liabilities	2,365				-	2,365
Sukuk	186,155	-	-	-	-	186,155
Subordinated sukuk	1,118,336	-	-	-	-	1,118,336
	112,794,696	(5,697,280)	2,054,321	(154,582)	(3,797,541)	108,997,155
Financial guarantees	253,786	6,844	6,728	9,742	23,314	277,100
Credit related commitments and contingencies	13,742,036	178,384	6,844	31,869	217,097	13,959,133
	13,995,822	185,228	13,572	41,611	240,411	14,236,233

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Group 31 December 2019					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	7,121,910	522,809	46,546	40,785	610,140	7,732,050
Financial assets at fair value through profit or loss	5,018,642	30,390	-	-	30,390	5,049,032
Debt instruments at fair value through other comprehensive income	3,616,346	-	-	-	-	3,616,346
Debt instruments at amortised cost	8,082,696	-	-	-	-	8,082,696
Islamic derivative financial instruments	2,539,871	(6,469,635)	3,072,251	1,330,999	(2,066,385)	473,486
Financing, advances and other financing/loans	77,731,180	1,231,240	-	51,834	1,283,074	79,014,254
Other assets	148,810	1,211	-	1,791	3,002	151,812
Amount due from ultimate holding company	1	-	-	-	-	1
Amount due from related companies	720	20	43	-	63	783
	104,260,176	(4,683,965)	3,118,840	1,425,409	(139,716)	104,120,460

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Group 31 December 2019					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	83,302,663	826,881	2,153	1,100,630	1,929,664	85,232,327
Investment accounts of customers	3,448,964	-	-	-	-	3,448,964
Deposits and placements of banks and other financial institutions	452,937	1,752,722	-	75,211	1,827,933	2,280,870
Investment accounts due to designated financial institutions	5,021,974	-	-	-	-	5,021,974
Financial liabilities designated at fair value through profit or loss	95,499	-	-	-	-	95,499
Islamic derivative financial instruments	4,657,498	(7,260,303)	2,905,073	187,417	(4,167,813)	489,685
Amount due to holding company	38,547	-	-	312	312	38,859
Amount due to related companies	11,241	-	-	-	-	11,241
Other liabilities	224,195	305	167,201	21,716	189,222	413,417
Lease liabilities	2,854				-	2,854
Recourse obligation on loans and financing sold to Cagamas	1,510,390	-	-	-	-	1,510,390
Sukuk	266,222	-	-	-	-	266,222
Subordinated sukuk	1,118,255	-	-	-	-	1,118,255
	100,151,239	(4,680,395)	3,074,427	1,385,286	(220,682)	99,930,557
Financial guarantees	216,114	9,088	-	9,043	18,131	234,245
Credit related commitments and contingencies	12,523,921	236,768	1,780	19,519	258,067	12,781,988
	12,740,035	245,856	1,780	28,562	276,198	13,016,233

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

The Bank 31 December 2020	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	12,327,829	172,478	10,004	67,109	249,591	12,577,420
Deposits and placements with banks and other financial institutions	50,046	-	-	-	-	50,046
Financial assets at fair value through profit or loss	4,881,984	152,445	-	-	152,445	5,034,429
Debt instruments at fair value through other comprehensive income	3,670,899	-	-	-	-	3,670,899
Debt instruments at amortised cost	8,501,654	-	-	-	-	8,501,654
Islamic derivative financial instruments	5,426,294	(6,724,513)	2,052,286	(231,220)	(4,903,447)	522,847
Financing, advances and other financing/loans	84,160,894	705,594	200	50,128	755,922	84,916,816
Other assets	454,227	1,071	-	2,217	3,288	457,515
Amount due from holding company	309,210	1,899	-	-	1,899	311,109
Amount due from related companies	19	23	125	-	148	167
	119,783,056	(5,691,003)	2,062,615	(111,766)	(3,740,154)	116,042,902

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52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

The Bank
31 December 2020

	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	95,618,961	954,275	6,244	70,055	1,030,574	96,649,535
Investment accounts of customers	2,678,870	-	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	1,353,189	1,406,323	3,041	36,461	1,445,825	2,799,014
Collateralised Commodity Murabahah	299,236	-	-	-	-	299,236
Investment accounts due to designated financial institutions	4,751,241	-	-	-	-	4,751,241
Financial liabilities designated at fair value through profit or loss	71,610	-	-	-	-	71,610
Islamic derivative financial instruments	6,833,634	(8,059,452)	2,045,036	(261,371)	(6,275,787)	557,847
Amount due to related companies	8,643	-	-	-	-	8,643
Other liabilities	217,994	1,574	-	273	1,847	219,841
Lease liabilities	2,365	-	-	-	-	2,365
Subordinated sukuk	1,118,336	-	-	-	-	1,118,336
	112,954,079	(5,697,280)	2,054,321	(154,582)	(3,797,541)	109,156,538
Financial guarantees	253,786	6,844	6,728	9,742	23,314	277,100
Credit related commitments and contingencies	13,742,036	178,384	6,844	31,869	217,097	13,959,133
	13,995,822	185,228	13,572	41,611	240,411	14,236,233

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Bank 31 December 2019					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	7,121,864	522,809	46,546	40,785	610,140	7,732,004
Financial assets at fair value through profit or loss	5,018,642	30,390	-	-	30,390	5,049,032
Debt instruments at fair value through other comprehensive income	3,616,346	-	-	-	-	3,616,346
Debt instruments at amortised cost	8,082,696	-	-	-	-	8,082,696
Islamic derivative financial instruments	2,539,871	(6,469,635)	3,072,251	1,330,999	(2,066,385)	473,486
Financing, advances and other financing/loans	77,731,180	1,231,240	-	51,834	1,283,074	79,014,254
Other assets	148,810	1,211	-	1,791	3,002	151,812
Amount due from ultimate holding company	1	-	-	-	-	1
Amount due from related companies	720	20	43	-	63	783
	104,260,130	(4,683,965)	3,118,840	1,425,409	(139,716)	104,120,414

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52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk (Continued)

(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Bank 31 December 2019					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	83,652,759	826,881	2,153	1,100,630	1,929,664	85,582,423
Investment accounts of customers	3,448,964	-	-	-	-	3,448,964
Deposits and placements of banks and other financial institutions	452,937	1,752,722	-	75,211	1,827,933	2,280,870
Investment accounts due to designated financial institutions	5,021,974	-	-	-	-	5,021,974
Financial liabilities designated at fair value through profit or loss	95,499	-	-	-	-	95,499
Islamic derivative financial instruments	4,657,498	(7,260,303)	2,905,073	187,417	(4,167,813)	489,685
Amount due to holding company	38,547	-	-	312	312	38,859
Amount due to related companies	11,241	-	-	-	-	11,241
Other liabilities	139,233	305	167,201	21,716	189,222	328,455
Lease liabilities	2,854	-	-	-	-	2,854
Recourse obligation on loans and financing sold to Cagamas	1,510,390	-	-	-	-	1,510,390
Subordinated sukuk	1,118,255	-	-	-	-	1,118,255
	100,150,151	(4,680,395)	3,074,427	1,385,286	(220,682)	99,929,469
Financial guarantees	216,114	9,088	-	9,043	18,131	234,245
Credit related commitments and contingencies	12,523,921	236,768	1,780	19,519	258,067	12,781,988
	12,740,035	245,856	1,780	28,562	276,198	13,016,233

52 Financial Risk Management (Continued)

52.2 Market Risk (Continued)

52.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's profit to movement in foreign exchange rates:

	The Group and the Bank			
	31 December 2020		31 December 2019	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease)		Increase/(decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	**559**	**(559)**	390	(390)

The impact on profit arises from transactional exposures from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

52 Financial Risk Management (Continued)

52.3 Liquidity Risk

Liquidity risk is defined as the current and potential risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding or regulatory obligations when they are due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business as usual and stress conditions. Due to its large delivery network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising retail transactions accounts, savings, demand and term deposits, thus providing the Group with a stable large funding base. The Group maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee, which subsequently reports to Group Asset Liability Management Committee. The Group Asset Liability Management Committee meets at least once a month to discuss the liquidity risk and funding profile of the Group. The key liquidity risk metrics comprise of internal liquidity gaps or cashflow maturity profile mismatches under business as usual and stress scenarios, regulatory liquidity coverage ratio ("LCR") and Net Stable Funding Ratio ("NSFR") which are measured and monitored regularly. LCR is a quantitative regulatory requirement which seeks to ensure that banking institutions hold sufficient high quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-calendar-days horizon. The Group monitors and reports LCR and NSFR based on the BNM LCR and NSFR Policy Document dated 25 August 2016 and 31 July 2019 respectively. As part of its ordinary course of business, the Bank maintains the LCR and NSFR above the regulatory requirements. In addition, liquidity risk stress testing under various scenarios covering bank-specific (idiosyncratic), market-wide and combined crises is performed regularly to identify sources of potential liquidity strain.

In addition to regulatory limits, liquidity risk undertaken by the Group is governed by a set of established liquidity risk limits and appetite. Management Action Triggers ("MATs") have been established to alert the Management to potential and emerging liquidity pressures. The Group's liquidity risk management policy is subjected to periodic review. The assumptions, risk limits and appetite are regularly reviewed in response to regulatory changes, changing business needs and market conditions.

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

The Asset-Liability Management function, which is responsible for the independent monitoring of our Group's liquidity risk profile, works closely with Group Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Overseas branches and subsidiaries should seek to be self-sufficient in funding at all times. Group Treasury only acts as a global provider of funds on a needs or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs.

The Group's Contingency Funding Plan ("CFP") is in place to alert and enable the senior management to act effectively and efficiently during a liquidity or funding crisis and under adverse market conditions. The CFP is subjected to regular testing and review.

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.1 Contractual maturity of assets and liabilities

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines:

	The Group 31 December 2020							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	12,577,466	-	-	-	-	-	-	12,577,466
Deposits and placements with banks and other financial institutions	-	50,046	-	-	-	-	-	50,046
Financial assets at fair value through profit or loss	626,437	45,854	2,809,256	1,110,236	96,166	346,480	-	5,034,429
Debt instruments at fair value through other comprehensive income	8,092	17,352	164,580	117,198	1,640,504	1,723,173	-	3,670,899
Debt instruments at amortised cost	17,564	70,359	159,350	697,624	4,483,987	3,072,770	-	8,501,654
Islamic derivative financial instruments	83,260	95,469	67,493	65,253	117,663	93,709	-	522,847
Financing , advances and other financing/loans	3,168,641	757,318	3,488,015	1,784,803	5,282,791	70,435,248	-	84,916,816
Other assets	376,430	130	-	-	10,806	25,140	-	412,506
Deferred taxation	-	-	-	-	-	-	85,777	85,777
Tax recoverable	-	-	-	-	-	-	3,007	3,007
Amount due from holding company	311,109	-	-	-	-	-	-	311,109
Amount due from related companies	167	-	-	-	-	-	-	167
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	2,220	2,220
Intangible assets	-	-	-	-	-	-	56,112	56,112
Property, plant and equipment	-	-	-	-	-	-	1,348	1,348
Total assets	**17,169,166**	**1,036,528**	**6,688,694**	**3,775,114**	**11,631,917**	**75,696,520**	**284,464**	**116,282,403**

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Group 31 December 2020							
	Up to 1 month RM'000	**> 1 – 3 months RM'000**	**> 3 – 6 months RM'000**	**> 6 – 12 months RM'000**	**> 1 – 5 years RM'000**	**Over 5 years RM'000**	**No-specific maturity RM'000**	**Total RM'000**
Liabilities								
Deposits from customers	48,485,611	20,773,106	18,216,756	8,723,651	80,766	23,019	-	96,302,909
Investment accounts of customers	1,299,226	454,947	508,606	416,091	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	2,235,370	300,062	110,412	-	153,170	-	-	2,799,014
Collateralised Commodity Murabahah	-	299,236	-	-	-	-	-	299,236
Investment accounts due to designated financial institutions	3,719,773	1,031,468	-	-	-	-	-	4,751,241
Financial liabilities designated at fair value through profit or loss	106	21	-	-	71,483	-	-	71,610
Islamic derivative financial instruments	90,206	131,691	67,356	65,024	120,537	83,033	-	557,847
Amount due to related companies	8,643	-	-	-	-	-	-	8,643
Other liabilities	420,992	14,208	495	-	3,400	31,310	-	470,405
Lease liabilities	-	-	-	-	2,365	-	-	2,365
Provision for taxation	3,000	-	-	-	-	-	-	3,000
Sukuk	155	-	-	186,000	-	-	-	186,155
Subordinated sukuk	-	8,182	10,154	-	1,100,000	-	-	1,118,336
Total liabilities	56,263,082	23,012,921	18,913,779	9,390,766	1,531,721	137,362	-	109,249,631
Net liquidity gap	(39,093,916)	(21,976,393)	(12,225,085)	(5,615,652)	10,100,196	75,559,158	284,464	

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52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Group 31 December 2019							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	7,732,050	-	-	-	-	-	-	7,732,050
Financial assets at fair value through profit or loss	1,380,371	1,446,667	1,385,623	453,308	230,300	152,763	-	5,049,032
Debt instruments at fair value through other comprehensive income	17,782	135,860	114,263	116,072	1,989,568	1,242,801	-	3,616,346
Debt instruments at amortised cost	17,332	47,783	433,572	270,898	3,675,454	3,637,657	-	8,082,696
Islamic derivative financial instruments	68,119	37,793	45,067	20,405	189,673	112,429	-	473,486
Financing , advances and other financing/loans	3,591,992	2,241,733	3,596,912	1,530,387	5,365,826	62,687,404	-	79,014,254
Other assets	247,497	130	5,012	-	31,257	23,599	-	307,495
Deferred taxation	-	-	-	-	-	-	22,151	22,151
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,058,109	2,058,109
Amount due from ultimate holding company	1	-	-	-	-	-	-	1
Amount due from related companies	783	-	-	-	-	-	-	783
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	2,775	2,775
Intangible assets	-	-	-	-	-	-	64,507	64,507
Property, plant and equipment	-	-	-	-	-	-	3,519	3,519
Total assets	13,055,927	3,909,966	5,580,449	2,391,070	11,482,078	67,856,653	2,287,061	106,563,204

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

The Group
31 December 2019

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	44,224,816	18,781,234	14,607,982	7,509,714	83,496	25,085	-	85,232,327
Investment accounts of customers	730,759	520,265	1,947,696	250,244	-	-	-	3,448,964
Deposits and placements of banks and other financial institutions	2,076,301	-	70,393	134,176	-	-	-	2,280,870
Investment accounts due to designated financial institutions	4,017,481	1,004,493	-	-	-	-	-	5,021,974
Financial liabilities designated at fair value through profit or loss	-	172	-	-	95,327	-	-	95,499
Islamic derivative financial instruments	77,278	40,994	59,625	19,634	188,477	103,677	-	489,685
Amount due to holding company	38,859	-	-	-	-	-	-	38,859
Amount due to related companies	11,241	-	-	-	-	-	-	11,241
Other liabilities	528,565	7,000	2,962	-	54,470	73,745	-	666,742
Lease liabilities	-	-	-	-	2,854	-	-	2,854
Provision for taxation	48,508	-	-	-	-	-	-	48,508
Recourse obligation on loans and financing sold to Cagamas	8,038	-	2,341	1,500,011	-	-	-	1,510,390
Sukuk	222	-	-	-	266,000	-	-	266,222
Subordinated sukuk	-	8,179	77	-	1,109,999	-	-	1,118,255
Total liabilities	51,762,068	20,362,337	16,691,076	9,413,779	1,800,623	202,507	-	100,232,390
Net liquidity gap	(38,706,141)	(16,452,371)	(11,110,627)	(7,022,709)	9,681,455	67,654,146	2,287,061	

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

The Bank
31 December 2020

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	12,577,420	-	-	-	-	-	-	12,577,420
Deposits and placements with banks and other financial institutions	-	50,046	-	-	-	-	-	50,046
Financial assets at fair value through profit or loss	626,437	45,854	2,809,256	1,110,236	96,166	346,480	-	5,034,429
Debt instruments at fair value through other comprehensive income	8,092	17,352	164,580	117,198	1,640,504	1,723,173	-	3,670,899
Debt instruments at amortised cost	17,564	70,359	159,350	697,624	4,483,987	3,072,770	-	8,501,654
Islamic derivative financial instruments	83,260	95,469	67,493	65,253	117,663	93,709	-	522,847
Financing , advances and other financing/loans	3,168,641	757,318	3,488,015	1,784,803	5,282,791	70,435,248	-	84,916,816
Other assets	537,110	130	-	-	10,806	25,140	-	573,186
Deferred taxation	-	-	-	-	-	-	85,777	85,777
Tax recoverable	-	-	-	-	-	-	3,007	3,007
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from holding company	311,109	-	-	-	-	-	-	311,109
Amount due from related companies	167	-	-	-	-	-	-	167
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	2,220	2,220
Intangible assets	-	-	-	-	-	-	56,112	56,112
Property, plant and equipment	-	-	-	-	-	-	1,348	1,348
Total assets	**17,329,800**	**1,036,528**	**6,688,694**	**3,775,114**	**11,631,917**	**75,696,520**	**284,475**	**116,443,048**

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Notes to the Financial Statements
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52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Bank 31 December 2020							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	48,832,237	20,773,106	18,216,756	8,723,651	80,766	23,019	-	96,649,535
Investment accounts of customers	1,299,226	454,947	508,606	416,091	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	2,235,370	300,062	110,412	-	153,170	-	-	2,799,014
Collateralised Commodity Murabahah	-	299,236	-	-	-	-	-	299,236
Investment accounts due to designated financial institutions	3,719,773	1,031,468	-	-	-	-	-	4,751,241
Financial liabilities designated at fair value through profit or loss	106	21	-	-	71,483	-	-	71,610
Islamic derivative financial instruments	90,206	131,691	67,356	65,024	120,537	83,033	-	557,847
Amount due to related companies	8,643	-	-	-	-	-	-	8,643
Other liabilities	419,904	14,208	495	-	3,400	31,310	-	469,317
Lease liabilities	-	-	-	-	2,365	-	-	2,365
Provision for taxation	3,000	-	-	-	-	-	-	3,000
Subordinated sukuk	-	8,182	10,154	-	1,100,000	-	-	1,118,336
Total liabilities	56,608,465	23,012,921	18,913,779	9,204,766	1,531,721	137,362	-	109,409,014
Net liquidity gap	(39,278,665)	(21,976,393)	(12,225,085)	(5,429,652)	10,100,196	75,559,158	284,475	

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Bank 31 December 2019							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	7,732,004	-	-	-	-	-	-	7,732,004
Financial assets at fair value through profit or loss	1,380,371	1,446,667	1,385,623	453,308	230,300	152,763	-	5,049,032
Debt instruments at fair value through other comprehensive income	17,782	135,860	114,263	116,072	1,989,568	1,242,801	-	3,616,346
Debt instruments at amortised cost	17,332	47,783	433,572	270,898	3,675,454	3,637,657	-	8,082,696
Islamic derivative financial instruments	68,119	37,793	45,067	20,405	189,673	112,429	-	473,486
Financing , advances and other financing/loans	3,591,992	2,241,733	3,596,912	1,530,387	5,365,826	62,687,404	-	79,014,254
Other assets	247,497	130	5,012	-	31,257	23,599	-	307,495
Deferred taxation	-	-	-	-	-	-	22,151	22,151
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,058,109	2,058,109
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from ultimate holding company	1	-	-	-	-	-	-	1
Amount due from related companies	783	-	-	-	-	-	-	783
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	2,775	2,775
Intangible assets	-	-	-	-	-	-	64,507	64,507
Property, plant and equipment	-	-	-	-	-	-	3,519	3,519
Total assets	13,055,881	3,909,966	5,580,449	2,391,070	11,482,078	67,856,653	2,287,072	106,563,169

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Bank 31 December 2019							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	44,574,912	18,781,234	14,607,982	7,509,714	83,496	25,085	-	85,582,423
Investment accounts of customers	730,759	520,265	1,947,696	250,244	-	-	-	3,448,964
Deposits and placements of banks and other financial institutions	2,076,301	-	70,393	134,176	-	-	-	2,280,870
Investment accounts due to designated financial institutions	4,017,481	1,004,493	-	-	-	-	-	5,021,974
Financial liabilities designated at fair value through profit or loss	-	172	-	-	95,327	-	-	95,499
Islamic derivative financial instruments	77,278	40,994	59,625	19,634	188,477	103,677	-	489,685
Amount due to holding company	38,859	-	-	-	-	-	-	38,859
Amount due to related companies	11,241	-	-	-	-	-	-	11,241
Other liabilities	443,603	7,000	2,962	-	54,470	73,745	-	581,780
Lease liabilities	-	-	-	-	2,854	-	-	2,854
Provision for taxation	48,508	-	-	-	-	-	-	48,508
Recourse obligation on loans and financing sold to Cagamas	8,038	-	2,341	1,500,011	-	-	-	1,510,390
Subordinated sukuk	-	8,179	77	-	1,109,999	-	-	1,118,255
Total liabilities	52,026,980	20,362,337	16,691,076	9,413,779	1,534,623	202,507	-	100,231,302
Net liquidity gap	(38,971,099)	(16,452,371)	(11,110,627)	(7,022,709)	9,947,455	67,654,146	2,287,072	

Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

The Group 31 December 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	48,394,757	20,920,164	18,408,232	8,875,455	91,538	33,444	-	96,723,590
Investment accounts of customers	1,299,739	456,474	513,276	422,617	-	-	-	2,692,106
Deposits and placements of banks and other financial institutions	2,235,600	301,025	110,894	-	153,170	-	-	2,800,689
Collateralised Commodity Murabahah	-	299,236	-	-	-	-	-	299,236
Investment accounts due to designated financial institutions	3,723,748	1,036,638	-	-	-	-	-	4,760,386
Financial liabilities designated at fair value through profit or loss	3,579	407	546	918	77,343	-	-	82,793
Amount due to related companies	8,643	-	-	-	-	-	-	8,643
Other liabilities	171,489	14,280	500	-	3,400	31,311	-	220,980
Lease liabilities	-	149	149	297	1,962	-	-	2,557
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	-	-	-	-
Sukuk	586	982	1,585	186,517	-	-	-	189,670
Subordinated sukuk	-	15,187	17,069	22,421	1,204,182	-	-	1,258,859
	55,838,141	23,044,542	19,052,251	9,508,225	1,531,595	64,755	-	109,039,509
Financial guarantees	277,100	-	-	-	-	-	-	277,100
Credit related commitments and contingencies	2,659,085	132,528	28,388	382,713	2,441,114	8,315,305	-	13,959,133
	2,936,185	132,528	28,388	382,713	2,441,114	8,315,305	-	14,236,233

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

The Group 31 December 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	44,151,087	18,946,864	14,848,779	7,730,209	92,871	34,513	-	85,804,323
Investment accounts of customers	730,776	524,737	1,976,976	255,585	-	-	-	3,488,074
Deposits and placements of banks and other financial institutions	2,077,911	-	70,702	135,943	-	-	-	2,284,556
Investment accounts due to designated financial institutions	4,024,474	1,013,036	-	-	-	-	-	5,037,510
Financial liabilities designated at fair value through profit or loss	-	914	999	1,758	111,500	-	-	115,171
Amount due to holding company	38,859	-	-	-	-	-	-	38,859
Amount due to related companies	11,241	-	-	-	-	-	-	11,241
Other liabilities	275,189	7,125	2,982	-	54,960	73,746	-	414,002
Lease liabilities	-	149	149	297	2,557	-	-	3,152
Recourse obligation on loans and financing sold to Cagamas	10,184	-	21,706	1,531,766	-	-	-	1,563,656
Sukuk	788	1,478	2,266	4,508	271,222	-	-	280,262
Subordinated sukuk	-	15,269	7,069	22,381	1,258,735	-	-	1,303,454
	51,320,509	20,509,572	16,931,628	9,682,447	1,791,845	108,259	-	100,344,260
Financial guarantees	234,245	-	-	-	-	-	-	234,245
Credit related commitments and contingencies	1,943,575	194,397	38,858	483,916	412,216	9,709,026	-	12,781,988
	2,177,820	194,397	38,858	483,916	412,216	9,709,026	-	13,016,233

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

The Bank 31 December 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	48,741,667	20,920,164	18,408,232	8,875,455	91,538	33,444	-	97,070,500
Investment accounts of customers	1,299,739	456,474	513,276	422,617	-	-	-	2,692,106
Deposits and placements of banks and other financial institutions	2,235,600	301,025	110,894	-	153,170	-	-	2,800,689
Collateralised Commodity Murabahah	-	299,236	-	-	-	-	-	299,236
Investment accounts due to designated financial institutions	3,723,748	1,036,638	-	-	-	-	-	4,760,386
Financial liabilities designated at fair value through profit or loss	3,579	407	546	918	77,343	-	-	82,793
Amount due to related companies	8,643	-	-	-	-	-	-	8,643
Other liabilities	170,402	14,280	500	-	3,400	31,311	-	219,893
Lease liabilities	-	149	149	297	1,962	-	-	2,557
Subordinated sukuk	-	15,187	17,069	22,421	1,204,182	-	-	1,258,859
	56,183,378	23,043,560	19,050,666	9,321,708	1,531,595	64,755	-	109,195,662
Financial guarantees	277,100	-	-	-	-	-	-	277,100
Credit related commitments and contingencies	2,659,085	132,528	28,388	382,713	2,441,114	8,315,305	-	13,959,133
	2,936,185	132,528	28,388	382,713	2,441,114	8,315,305	-	14,236,233

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

The Bank 31 December 2019	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	44,501,632	18,946,864	14,848,779	7,730,209	92,871	34,513	-	86,154,868
Investment accounts of customers	730,776	524,737	1,976,976	255,585	-	-	-	3,488,074
Deposits and placements of banks and other financial institutions	2,077,911	-	70,702	135,943	-	-	-	2,284,556
Investment accounts due to designated financial institutions	4,024,474	1,013,036	-	-	-	-	-	5,037,510
Financial liabilities designated at fair value through profit or loss	-	914	999	1,758	111,500	-	-	115,171
Amount due to holding company	38,859	-	-	-	-	-	-	38,859
Amount due to related companies	11,241	-	-	-	-	-	-	11,241
Other liabilities	190,227	7,125	2,982	-	54,960	73,746	-	329,040
Lease liabilities	-	149	149	297	2,557	-	-	3,152
Recourse obligation on loans and financing sold to Cagamas	10,184	-	21,706	1,531,766	-	-	-	1,563,656
Subordinated sukuk	-	15,269	7,069	22,381	1,258,735	-	-	1,303,454
	51,585,304	20,508,094	16,929,362	9,677,939	1,520,623	108,259	-	100,329,581
Financial guarantees	234,245	-	-	-	-	-	-	234,245
Credit related commitments and contingencies	1,943,575	194,397	38,858	483,916	412,216	9,709,026	-	12,781,988
	2,177,820	194,397	38,858	483,916	412,216	9,709,026	-	13,016,233

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities.

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis:

	The Group and the Bank 31 December 2020							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(939)	-	-	-	-	-	-	(939)
- Profit rate derivatives	(122,309)	-	-	-	-	-	-	(122,309)
- Equity related derivatives	(1,717)	-	-	-	-	-	-	(1,717)
- Commodity related derivatives	(1,340)	-	-	-	-	-	-	(1,340)
- Credit related contracts	(2,024)	-	-	-	-	-	-	(2,024)
Hedging derivatives:								
- Profit rate derivatives	-	(374)	(391)	(699)	(2,490)	-	-	(3,954)
	(128,329)	(374)	(391)	(699)	(2,490)	-	-	(132,283)

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis: (Continued)

	The Group and the Bank 31 December 2019							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(429)	-	-	-	-	-	-	(429)
- Profit rate derivatives	(77,168)	-	-	-	-	-	-	(77,168)
- Equity related derivatives	(1,513)	-	-	-	-	-	-	(1,513)
- Commodity related derivatives	(187)	-	-	-	-	-	-	(187)
- Credit related contracts	(1,485)	-	-	-	-	-	-	(1,485)
Hedging derivatives:								
- Profit rate derivatives	5,115	9,799	(32,528)	(226)	(1,100)	(29)	-	(18,969)
	(75,667)	9,799	(32,528)	(226)	(1,100)	(29)	-	(99,751)

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The Group's and the Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options, cross currency profit rate swaps.

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow:

	The Group and the Bank 31 December 2020							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	(425,579)	-	-	-	-	-	-	(425,579)
	(425,579)	-	-	-	-	-	-	(425,579)

52 Financial Risk Management (Continued)

52.3 Liquidity Risk (Continued)

52.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	The Group and the Bank 31 December 2019							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	(390,321)	-	-	-	-	-	-	(390,321)
	(390,321)	-	-	-	-	-	-	(390,321)

52 Financial Risk Management (Continued)

52.4 Fair value estimation

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.

52.4.1 Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

Level 1	Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include: • Quoted prices for similar assets and liabilities in active markets; or • Quoted prices for identical or similar assets and liabilities in non-active markets; or • Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/Liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/Liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.1 Determination of fair value and fair value hierarchy (Continued)

Assets/Liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;

- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of market data reasonableness verification;

- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the Group Market Risk Committee (GMRC) for approval;

- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group’s financial models used for valuation;

- Group Risk Management Quantitative analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative analysts and approved by Regional Head, Market Risk Management and/or the GMRC;

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.1 Determination of fair value and fair value hierarchy (Continued)

<u>Valuation Model Review and Approval</u> **(Continued)**

- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;

- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and

- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets and liabilities are recorded at fair value.

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

	The Group and the Bank Fair Value	
	Level 2 RM'000	Carrying amount RM'000
31 December 2020		
Recurring fair value measurements		
Financial assets		
Financial assets at fair value through profit or loss		
-Money market instruments	**4,697,651**	**4,697,651**
-Unquoted securities	**336,778**	**336,778**
Debt instruments at fair value through other comprehensive income		
-Money market instruments	**731,102**	**731,102**
-Unquoted securities	**2,939,797**	**2,939,797**
Derivative financial instruments:		
-Trading derivatives	**522,847**	**522,847**
Financing, advances and other financing/loans at fair value through profit or loss	**197,321**	**197,321**
Total	**9,425,496**	**9,425,496**
Recurring fair value measurements		
Financial liabilities		
Derivative financial instruments:		
-Trading derivatives	**553,908**	**553,908**
-Hedging derivatives	**3,939**	**3,939**
Financial liabilities designated at fair value through profit or loss	**71,610**	**71,610**
Total	**629,457**	**629,457**

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy: (Continued)

	The Group and the Bank Fair Value	
	Level 2 RM'000	**Carrying amount RM'000**
31 December 2019		
Recurring fair value measurements		
Financial assets		
Financial assets at fair value through profit or loss		
-Money market instruments	4,981,268	4,981,268
-Unquoted securities	67,764	67,764
Debt instruments at fair value through other comprehensive income		
-Money market instruments	878,794	878,794
-Unquoted securities	2,737,552	2,737,552
Derivative financial instruments:		
-Trading derivatives	473,486	473,486
Financing, advances and other financing/loans at fair value through profit or loss	200,181	200,181
Total	9,339,045	9,339,045
Recurring fair value measurements		
Financial liabilities		
Derivative financial instruments:		
-Trading derivatives	471,103	471,103
-Hedging derivatives	18,582	18,582
Financial liabilities designated at fair value through profit or loss	95,499	95,499
Total	585,184	585,184

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2019 (31 December 2020: Nil changes) for the Group and the Bank:

	Financial Assets
	Equity instruments at fair value through other comprehensive income Unquoted securities
	RM'000
The Group and the Bank	
At 1 January 2019	575
Total loss recognised in other comprehensive income	(549)
Sales and redemptions	(26)
At 31 December 2019	-
Total loss recognised in other comprehensive income for financial year ended 31 December 2019 under "revaluation reserves"	(549)

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.2 Fair value of financial assets and liabilities measured at amortised cost

The following table analyse within the fair value hierarchy the Group's assets and liabilities' fair value as at 31 December 2020 and 31 December 2019 where the fair value does not approximate to carrying amount in the statement of financial position:

	The Group		
		Fair Value	
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2020			
Assets			
Debt instruments at amortised cost	**8,501,654**	**9,013,911**	**9,013,911**
Financing, advances and other financing/loans	**84,719,495**	**85,178,842**	**85,178,842**
Total	**93,221,149**	**94,192,753**	**94,192,753**
Liabilities			
Deposits from customers	**96,302,909**	**96,302,094**	**96,302,094**
Investment accounts of customers	**2,678,870**	**2,498,513**	**2,498,513**
Deposits and placements of banks and other financial institutions	**2,799,014**	**2,782,656**	**2,782,656**
Sukuk	**186,155**	**187,291**	**187,291**
Subordinated Sukuk	**1,118,336**	**1,159,153**	**1,159,153**
Total	**103,085,284**	**102,929,707**	**102,929,707**

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The following table analyse within the fair value hierarchy the Group's assets and liabilities' fair value as at 31 December 2020 and 31 December 2019 where the fair value does not approximate to carrying amount in the statement of financial position: (Continued)

		The Group	
		Fair Value	
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2019			
Assets			
Debt instruments at amortised cost	8,082,696	8,367,923	8,367,923
Financing, advances and other financing/loans	78,814,073	79,201,284	79,201,284
Total	86,896,769	87,569,207	87,569,207
Liabilities			
Deposits from customers	85,232,327	85,302,498	85,302,498
Investment accounts of customers	3,448,964	3,423,018	3,423,018
Deposits and placements of banks and other financial institutions	2,280,870	2,278,266	2,278,266
Recourse obligation on loans and financing sold to Cagamas	1,510,390	1,516,268	1,516,268
Sukuk	266,222	264,247	264,247
Subordinated Sukuk	1,118,255	1,130,480	1,130,480
Total	93,857,028	93,914,777	93,914,777

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The following table analyse within the fair value hierarchy the Bank's assets and liabilities' fair value as at 31 December 2020 and 31 December 2019 where the fair value does not approximate to carrying amount in the statement of financial position: (Continued)

		The Bank	
		Fair Value	
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2020			
Assets			
Debt instruments at amortised cost	**8,501,654**	**9,013,911**	**9,013,911**
Financing, advances and other financing/loans	**84,719,495**	**85,178,842**	**85,178,842**
Total	**93,221,149**	**94,192,753**	**94,192,753**
Liabilities			
Deposits from customers	**96,649,535**	**96,648,720**	**96,648,720**
Investment accounts of customers	**2,678,870**	**2,498,513**	**2,498,513**
Deposits and placements of banks and other financial institutions	**2,799,014**	**2,782,656**	**2,782,656**
Subordinated Sukuk	**1,118,336**	**1,159,153**	**1,159,153**
Total	**103,245,755**	**103,089,042**	**103,089,042**

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Notes to the Financial Statements for the financial year ended 31 December 2020 (Continued)

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The following table analyse within the fair value hierarchy the Bank's assets and liabilities' fair value as at 31 December 2020 and 31 December 2019 where the fair value does not approximate to carrying amount in the statement of financial position: (Continued)

	The Bank		
		Fair Value	
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2019			
Assets			
Debt instruments at amortised cost	8,082,696	8,367,923	8,367,923
Financing, advances and other financing/loans	78,814,073	79,201,284	79,201,284
Total	86,896,769	87,569,207	87,569,207
Liabilities			
Deposits from customers	85,582,423	85,587,686	85,587,686
Investment accounts of customers	3,448,964	3,423,018	3,423,018
Deposits and placements of banks and other financial institutions	2,280,870	2,278,266	2,278,266
Recourse obligation on loans and financing sold to Cagamas	1,510,390	1,516,268	1,516,268
Subordinated Sukuk	1,118,255	1,130,480	1,130,480
Total	93,940,902	93,935,718	93,935,718

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions

For short-term funds and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Debt instruments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Financing, advances and other financing/loans

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

The fair values of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

Amount due (to)/from subsidiaries and related companies and amount due (to)/from holding company and ultimate holding company

The estimated fair values of the amount due (to)/from subsidiaries and related companies and amount due (to)/from ultimate holding company approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar financing.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Investment accounts of customers and investment accounts due to designated financial institutions

The estimated fair values of investment accounts of customers and investment accounts due to designated financial institutions with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

Collateralised Commodity Murabahah

The estimated fair values of Collateralised Commodity Murabahah with maturities of less than six months approximate the carrying values. For Collateralised Commodity Murabahah with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market rates with similar remaining period to maturity.

Other liabilities

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

Lease liabilities

The estimated fair value of other liabilities approximates the carrying value at the statement of financial position date.

Recourse obligation on loans and financing sold to Cagamas

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

Sukuk

The estimated fair values of Sukuk with maturities of less than six months approximate the carrying values. For Sukuk with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for Sukuk with similar risk profile.

Subordinated Sukuk

The fair values for the quoted subordinated Sukuk are obtained from quoted market prices while the fair values for unquoted subordinated Sukuk are estimated based on discounted cash flow models.

52 Financial Risk Management (Continued)

52.4 Fair value estimation (Continued)

52.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

53 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 10 March 2021.